FINAL REPORT

Phase 1

REVIEW TO DETERMINE THE MOST APPROPRIATE LEVEL OF GOVERNMENT IN PRINCE EDWARD ISLAND TO DELIVER SPECIFIC SERVICES

Prepared for:

The Department of Community and Cultural Affairs,
City of Charlottetown, City of Summerside and Town of Stratford

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1. Executive Summary

The Province of Prince Edward Island ("Province"), the City of Charlottetown ("Charlottetown"), the City of Summerside ("Summerside") and the Town of Stratford ("Stratford") wanted a review of the roles and responsibilities for delivery and financing services plus an assessment of the need, if any, for revisions to the current provincial – municipal financial arrangements in selected areas. The approach included comparisons to municipalities in New Brunswick, Nova Scotia and Ontario.

A Project Steering Committee was established to oversee the projects and to agree on the key issues and tasks; definition of municipal – provincial roles and responsibilities for delivery and funding of service; evaluating the financial fairness of the service exchange and Comprehensive Urban Services Agreements ("CUSA") (police and streets) and the appropriateness of the equalization funding program.

The recommended roles and responsibilities were set after examination of the current arrangements, comparisons to New Brunswick, Nova Scotia and discussions with the Project Steering Committee. Subject to analyses to ensure the recommendations are practical and financially advantageous to the Province and specific municipalities involved, these changes are recommended:

- Align the responsibility for service delivery and funding of local roads and street maintenance and storm drainage with the municipal level of government;
- Align the responsibility for service delivery and funding of provincial road and street maintenance and storm drainage with the provincial level of government;
- Align the responsibility for industrial park management service delivery and funding between both levels of government when and where it is practical and beneficial for both parties. Joint involvement should not be mandated;
- Align the responsibility for financing the assessment, tax billing and collection services with both levels of government, and
- Align the responsibility for financing library service delivery (including facilities) with the provincial level of government.

The Province and municipalities both provide streets and highway services; however, there is a requirement for standardization of street and road expenditure classification to better enable cost comparisons between the provincial and municipal governments. A suggested framework has been prepared and included in the report. Stratford and the Province should evaluate the cost-benefit of shifting street and road maintenance from the Province to the municipality as the current arrangement is unlike that of any other jurisdiction included in this review- typically, local services are the responsibility of local government.

Police services are governed by the Office of the Attorney General but the municipalities in Prince Edward Island act fairly autonomously in the delivery of police services. There are no province wide policing standards and the costs vary depending upon whether the RCMP or individual municipal police forces deliver the service. It is recommended that the municipalities, in conjunction with the Province, develop province wide policing standards.

It is not uncommon for provinces and municipalities to collect property taxes but the use of the property tax credit method to share revenues between the provincial and municipal levels of government is unusual. It is recommended that the provincial government undertake a study of the tax credit program with an objective to replace the tax credit method of transferring property tax revenues from the Province to the municipalities with a series of conditional grants structured to more closely match the cost of delivering the service or at least the cost to deliver a service that meets a minimum uniform standard. Any enhanced services or standard would be paid through municipal property tax revenues.

In 1995, Charlottetown and Summerside amalgamated adjacent communities and did a service exchange with the Province on police and streets. The funding was documented in the Comprehensive Urban Service Agreements. A number of principles were followed for the service and funding exchange. After extensive analysis it was determined that the funding arrangements, at the time of the exchange, were fair and equitable. No adjustments to the tax credits are needed.

In 1999, the Province signed a Memorandum of Understanding ("MOU") with Charlottetown and with Summerside providing additional street funding correcting the CUSA arrangements and for a grant-in-lieu for the Queen Elizabeth Hospital in Charlottetown. Rather than revise the tax credits, it is recommended that the additional MOU funding be continued as conditional grants pending the outcome of the tax credit study. The grant-in-lieu for the Queen Elizabeth Hospital should be continued as a conventional grant-in-lieu.

The funding provided to municipalities through the Equalization Grant has not been properly calculated for many years. No changes should be made in the current approach until the tax credit study is done. If the tax credit methodology is not replaced, then the Province should resume proper calculations of the Equalization Grant and provide transition provisions to individual municipalities where the changes are significant.

For the assessment, tax billing and tax collection functions, the Province should continue to provide these services, but the Province should recover part of its costs from the municipalities.

Charlottetown as the capital of the Province does incur costs; however, it was concluded that no special on-going considerations were warranted because of its position as the capital.

2. Introduction

2.1 Background

In the early part of the 1990's, the Province of Prince Edward Island ("the Province" or "PEI") reviewed its municipal structures resulting in the amalgamation of areas around the Town of Summerside and the City of Charlottetown. The legal framework was established through legislation; the Charlottetown Area Municipalities Act and the City of Summerside Act. The financial arrangements were established with the Comprehensive Urban Services Agreements (CUSA) with Charlottetown and Summerside. The Agreements did not satisfactorily address all of the financial issues but provided for amendments by mutual consent of all parties involved.

In the Memorandum of Agreement between the Province and City of Charlottetown ("Charlottetown") dated March 9, 1999, it was agreed that an independent consulting firm be engaged to review the "CUSA agreement and other funding agreements and the funding levels provided to municipalities under those agreements". The City of Summerside ("Summerside") and the Town of Stratford ("Stratford") agreed to participate in the review and, in turn, a Request for Proposal was prepared and issued for the conduct of a review to determine the most appropriate level of government to deliver specific services. KPMG responded to this Request for Proposal and was subsequently awarded the assignment in August, 2000.

The purpose of the Review was to assist the Province, Charlottetown, Stratford and Summerside in the assessment of the need, if any, for revisions to provincial-municipal arrangements. More specifically, the objectives of the Review were to provide an assessment, supported by the arrangements of other selected jurisdictions, of the following:

- The fairness and equity of existing tax and fiscal arrangements between the Province and each of the municipalities;
- The most appropriate division of responsibilities between the provincial government and each of the municipalities;
- Arising from either or both of the above, the need for modifications to existing tax and fiscal arrangements between the Province and each of the municipalities to ensure fairness and equity;
- The approaches in other jurisdictions to equalization, funding, and taxation and the applicability of those approaches to the participants involved in this study; and
- Identification of the type and level of arrangements that are exclusive to special circumstances such as capital cities, location, population or any other unique characteristics.

This report presents the major findings, conclusions and recommendations regarding the most appropriate level of government to deliver specific services.

2.2 Approach

The approach employed to successfully achieve the abovementioned objectives involved the following:

- A project kick-off meeting with all members of the Steering Committee to review and confirm the project objectives, approach and schedule and to acquire additional insight into the key issues / areas of priority;

- Development of a key issues document summarizing the key issues and concerns of each municipality and the Province to set the stage for the Review;

- Development of a comprehensive work plan which was reviewed and approved by the Project Steering Committee;

- Identification of key Provincial and Municipal stakeholders and the conduct of one-on-one interviews with each. This included interviews with:
    - Mayor George MacDonald, City of Charlottetown;
    - Harry Gaudet, Chief Administrative Officer, City of Charlottetown;
    - Mayor Michael Farmer, Town of Stratford;
    - Robert Hughes, Chief Administrative Officer, Town of Stratford;
    - Mayor Basil Stewart, City of Summerside;
    - Terry Murphy, Chief Administrative Officer, City of Summerside;
    - Albert MacDonald, Director, Planning and Inspection Services, Community Affairs and Attorney General;
    - John Berry, Manager, Municipal Affairs, Community Affairs and Attorney General;
    - George Likely, Director, Finance, Human Resources and Operations, Advisory Council on the Status of Women;
    - Michael O'Brien, Deputy Provincial Treasurer, Provincial Treasury;
    - James Ramsey, Provincial Tax Commissioner, Taxation and Property Records, Provincial Treasury; and
    - Steve MacLean, Department of Transportation and Public Works.

- Collection and analysis of data from Charlottetown, Summerside, Stratford and the Province including the Department of Transportation and Public Works and the Department of Community Affairs and Attorney General;

- Development and administration of information gathering tools to collect information regarding service delivery and service financing roles and responsibilities, road and street maintenance and policing services from the nine municipalities chosen and approved by the Project Steering Committee to participate in the cross-jurisdiction review;

- Follow-up telephone interviews with representatives from municipalities participating in the cross-jurisdiction review;

- Review of many available reports including:

- Towards a Fair and Affordable Program of Municipal Grants, November, 1986, prepared by the Department of Community and Cultural Affairs
- Municipal Study Report, May 1991, prepared by Smith Greer & Associates Inc.
- White Paper on Municipal Reform, June 1993, prepared by the Government Reform Office
- Preliminary Analysis, Comprehensive Services Agreement, Amalgamated City of Charlottetown, January 1995, prepared by Harland Associates

- Review and analysis of all collected data and developing recommendations regarding the most appropriate level of government to deliver and fund specific services;
- Development of a working paper for review and discussion with the Project Steering Committee with the focus being on key findings and preliminary conclusions and recommendations;
- Five working sessions with the Project Steering Committee to review and discuss key findings and preliminary conclusions;
- Preparation of a draft Final Report which was distributed to and reviewed by the Project Steering Committee; and
- Preparation and distribution of a Final Report.

2.3 Scope

The scope of the Review was limited to the services provided and / or funded by the City of Charlottetown, City of Summerside, Town of Stratford and the Provincial Government. It was not a province-wide review. The unincorporated municipalities were not considered. However, it is recognized by the Project Steering Committee that the results of this Review may serve as future guidelines for the Province and other provincial municipalities. This included an understanding of:

- existing service delivery and funding (i.e., tax and other fiscal arrangements) models including an understanding of why these models exist and development of recommendations regarding future service delivery and funding;
- division of roles and responsibilities between the participating municipalities and the Province;
- approaches in nine New Brunswick (i.e., Fredericton, Edmundston, New Maryland), Nova Scotia (i.e., Cape Breton Regional Municipality (CBRM), Kentville, Truro) and Ontario (i.e., Kingston, Brockville, St. Mary's) jurisdictions to roles and responsibilities, equalization, funding and taxation and the applicability of these approaches to the participants of this Review; and

- the type and level of arrangements that are exclusive to special circumstances such as capital cities, location, population or any other unique characteristics.

3. Summary of Key Issues

Members of the Project Steering Committee delivered a brief presentation to the Consulting Team during the Project Kick-off Meeting with the primary emphasis being on their key issues and areas of concern / areas for future improvement. Following this meeting, a key issues document was prepared and approved by all members of the Steering Committee. For the purpose of focusing the scope of this engagement, these key issues in the context of the Request for Proposal Terms of Reference will be addressed in this Study. The table below presents these key issues.

Key Issues	Charlottetown	Summerside	Stratford	Provincial Gov't
• Definition of municipal-provincial roles and responsibilities including: ▪ Services ▪ Funding	✓	✓	✓	✓
• Inequity established at the time of amalgamation ▪ The objective was to achieve revenue neutrality but this has not occurred ▪ Estimated that the inequity is in the range of $3-$4-million in Charlottetown	✓	✓		
• Streets ▪ Funding short-fall (e.g., cost to provide equal standards of service and to serve outlying areas) ▪ Dispute on street and road maintenance ▪ Definition of costs and functions to be included in street maintenance ▪ Lack of role and responsibility clarity around storm drainage and sewer and water extensions ▪ Street designation within municipal boundaries ▪ Absence of credit / allowance for streets in industrial parks ▪ Dispute on allowance (CUSA funding) for street costs (summer, winter, capital)	✓	✓	✓	

Key Issues	Charlottetown	Summerside	Stratford	Provincial Gov't
• Policing ▪ Funding shortfall in Charlottetown	✓	✓		
• Equalization formula and payment adjustments ▪ Unfair and improperly applied equalization formula since 1990	✓	✓		
• Municipal / Provincial boundaries ▪ Unclear definition of boundaries in Summerside (i.e., is the park and base in or out?) ▪ Slemon Park-funding is key issue ▪ Placement of airport ▪ Fullerton Marsh (Stratford)		✓	✓	✓
• Capital city considerations	✓			

One issue, Municipal / Provincial boundaries, was determined to be outside of the scope of the review. Indeed, boundary issues involve many stakeholders, require in-depth analyses and are separate studies in themselves. Accordingly, the Municipal / Provincial boundaries issue is not dealt with in this review and report.

4. Roles and Responsibilities

A review of existing roles and responsibilities was conducted to identify the most appropriate division of service delivery and financing roles and responsibilities between the Province and participating municipalities (i.e., Charlottetown, Summerside and Stratford). This involved confirmation of the existing division of roles and responsibilities, comparison of these roles and responsibilities to those of other selected jurisdictions, discussion of the results with the Steering Committee and formation of recommendations for change.

Generally speaking, it is important to note that governments of all levels must be responsible and efficient in their delivery and financing of services and that accountability, accessibility and sustainability are becoming increasingly important as is the desire for equitable treatment of taxpayers.

Like Prince Edward Island, other provinces have and are evaluating and redefining the provincial - municipal service delivery and financial relationship. For example, the Province of Ontario, after a series of grant program changes, undertook a Local Service Realignment Initiative in 1998 with the objective to achieve the following:

- Fewer cost shared services;
- More accountable government;
- Clearer responsibility for services delivery;
- Less waste and duplication; and
- Better service at lower cost.

Similarly, Nova Scotia struck a Joint Municipal-Provincial Roles and Responsibilities Review in 1998 after a long series of on-going discussions between the Province of Nova Scotia and the Municipalities. In the context of increasing public expectations, a large provincial deficit and reduced funding for municipalities, it was recognized that change was required. The fundamental principles / objectives of this review were as follows:

- Equal treatment of municipalities;
- Alignment of services of a local nature to Municipalities;
- Alignment of services of a general nature to the Province;
- Provincial and Municipal governments will never be totally disentangled;
- Clear relationships between funding accountability and decision making;
- Related services should be aligned with one level of government;
- Both levels of government should have the financial ability to deliver services;
- Fair taxation for the taxpayer; and
- Effective service delivery.

While there may be some differences between these provinces and Prince Edward Island, many similarities exist. We believe the service delivery and financing model proposed later in this section, if implemented, will result in a more appropriate division of roles and responsibilities.

4.1 Service Delivery

4.1.1 General Observations

While a detailed account of the current service delivery similarities and differences are presented in Schedule 4.1:1, Comparison of Participating Municipalities - Service Delivery, the general observations are as follows:

- All three municipalities are responsible for the delivery of police, fire, sewer collection and disposal, water supply and distribution, recreation services and facilities and planning and zoning;
- The Province is consistently responsible for the delivery of provincial road and street maintenance, storm drainage on provincial roads and streets, solid waste disposal, social services, education, lock-up facilities, correction centres, courthouses, public housing, assessment services, tax billing and tax collection;
- The Province delivers road and street maintenance service to the Town of Stratford for local and provincial roads and streets which is unlike the other two participating municipalities;
- The Province delivers storm drainage service to the Town of Stratford for local and provincial roads and streets which is unlike the other two participating municipalities – Stratford does share responsibility in servicing storm drainage on local roads and streets;
- Charlottetown is the only municipality with an operating public transit service – according to the Summerside and Stratford Municipal Acts, these municipalities would be responsible for the delivery of this service if they were to introduce it as a public service;
- Library service delivery is the responsibility of the Province in all three municipalities with the only exception being in Charlottetown where the responsibility is shared – Charlottetown currently employs one person in the library;
- The delivery of inspection services is shared between the Province and each municipality; and
- Industrial parks service delivery is shared between the Province and the Municipalities of Charlottetown and Summerside but not Stratford – Stratford operates its own industrial park.

In addition to the above observations, it has been concluded that there is a reasonably good division of service delivery roles and responsibilities between the Province and the Municipalities of Charlottetown and Summerside. There is a closer relationship between the Province and Stratford, as Stratford is the only municipality that has the Province provide road and street maintenance.

4.1.2 Service Delivery Comparisons to Other Municipalities

As part of the cross-jurisdiction review, the Provincial and Municipal service delivery roles and responsibilities were compared to selected municipalities in New Brunswick, Nova Scotia and Ontario. While Schedules 4.1:2 Comparison of Roles and Responsibilities – Charlottetown, 4.1:3 Comparison of Roles and Responsibilities – Summerside and 4.1:4, Comparison of Roles and Responsibilities – Stratford, present a detailed account of these comparisons, the key observations are presented below.

Charlottetown

Charlottetown was compared to the Cape Breton Regional Municipality (CBRM), Nova Scotia, Fredericton, New Brunswick and Kingston, Ontario. Key observations were as follows:

- Each municipality is responsible for the delivery of police, fire, local road and street maintenance, public transit, sewer collection and disposal, water supply and distribution, garbage collection, recreation services and facilities and planning and zoning;
- Charlottetown is the only municipality not responsible for the delivery of solid waste disposal;
- Comparative municipalities are responsible for the delivery of industrial park management and inspection services whereas Charlottetown and the Province currently share these responsibilities;
- Charlottetown and Fredericton both share library service delivery responsibility with their respective provincial governments whereas CBRM and Kingston are completely responsible for the delivery of this service;
- Education delivery is the responsibility of all three provincial governments;
- Responsibility for the delivery of lock-up facilities varies among all municipalities – it is a provincial responsibility in PEI and Ontario, municipal in Nova Scotia and shared in New Brunswick; and
- Delivery of tax billing and tax collection is the responsibility of the provincial government in PEI and New Brunswick and of the municipalities in Nova Scotia and Ontario.

Summerside

Summerside was compared to the Truro, Nova Scotia, Edmundston, New Brunswick and Brockville, Ontario. Key observations were as follows:

- Each municipality is responsible for the delivery of police, fire, local road and street maintenance, sewer collection and disposal, water supply and distribution, recreation services and facilities and planning and zoning;
- Brockville shares the responsibility for road and street maintenance with the Province of Ontario which is unlike any of the other municipalities in this comparison;
- Summerside is the only municipality not responsible for the delivery of garbage collection;
- Summerside is not responsible for the delivery of solid waste disposal whereas Truro is;
- Summerside is not responsible for the delivery of library services whereas Truro and Brockville are;
- Comparative municipalities are responsible for the delivery of industrial park management and inspection services whereas Summerside and the Province currently share these responsibilities;
- Summerside and Brockville do not have responsibility for lock-up facility service delivery whereas Truro and Edmundston do;
- Brockville, unlike all other municipalities, is responsible for the delivery of public housing services and assessment services;
- Summerside and Edmundston currently are not responsible for the delivery of tax billing and tax collection services which is in contrast with Truro and Brockville;
- Education delivery is the responsibility of all three provincial governments;
- Responsibility for the delivery of lock-up facilities varies among all municipalities – it is a provincial responsibility in PEI and Ontario, municipal in Nova Scotia and shared in New Brunswick; and
- Delivery of tax billing and tax collection is the responsibility of the provincial government in PEI and New Brunswick and the responsibility of municipalities in Nova Scotia and Ontario.

Stratford

Stratford was compared to the Kentville, Nova Scotia, New Maryland, New Brunswick and St. Mary's, Ontario. Key observations were as follows:

- Each municipality is responsible for the delivery of police, fire, sewer collection and disposal, water supply and distribution, garbage collection, recreation services and facilities and planning and zoning;
- Stratford is the only municipality not responsible for the delivery of local road and street maintenance and solid waste disposal;
- Stratford is currently sharing responsibility with the province for storm drainage on provincial roads and streets;
- The responsibility for library service delivery varies among municipalities – Stratford is not responsible for the delivery of library services whereas Kentville shares this responsibility with the province and St. Mary's is completely responsible;
- Stratford and St. Mary's are responsible for the delivery of industrial park management services whereas Kentville shares this responsibility with the province;
- Stratford is the only municipality that shares the responsibility for the delivery of inspection services with the province;
- Education delivery is the responsibility of all three provincial governments;
- Kentville is responsible for the delivery of lock-up facilities and public housing whereas Stratford is not; and
- The delivery of tax billing and tax collection services are the responsibility of Kentville and St Mary's whereas Stratford and New Maryland do not deliver these services rather they are delivered by the province.

4.1.3 Conclusions

Key conclusions are as follows:

- The distribution pattern of roles and responsibilities in PEI is not particularly unusual;
- PEI municipalities are not unique or significantly different from other municipalities included within the scope of this review;
- The most significant difference is the fact that Stratford is not responsible for the delivery of local road and street maintenance;
- Disentanglement and resulting roles and responsibilities will continue to evolve;

- PEI is a relatively small province and distribution of roles and responsibilities must be practical;
- Summerside and Stratford are permitted by legislation to deliver public transit if they so desire; and
- Provincial legislation is not specific enough to suggest needed changes.

4.1.4 Recommendations

The following service delivery role and responsibility changes are recommended assuming they are practical and financially advantageous for the Province and municipalities involved. It is recommended that both of these factors be considered before implementing such changes:

- Align the responsibility for local road and street maintenance and storm drainage with the municipal level of government;
- Align the responsibility for provincial road and street maintenance and storm drainage with the provincial level of government; and
- Align the responsibility for industrial park management service delivery between both levels of government when and where it is practical and beneficial for both parties. Joint involvement should not be mandated.

The recommended roles and responsibilities compared to the existing ones for service delivery are provided on Schedule 4.1:5.

4.2 Service Financing

4.2.1 General Observations

While a detailed account of the current service funding similarities and differences are presented in Schedule 4.2:1, Comparison of Participating Municipalities - Service Financing, the general observations are as follows:

- All three municipalities are responsible for funding the delivery of police, fire, sewer collection and disposal, water supply and distribution, recreation services and facilities and planning and zoning;
- Unlike Charlottetown and Summerside, Stratford is not responsible for funding the delivery of local road and street maintenance;
- Unlike Charlottetown and Stratford, Summerside is not responsible for funding the delivery of garbage collection and solid waste disposal, which is the first stage of a province-wide implementation of this service; and

- Both Charlottetown and Summerside share funding responsibilities with the province for the delivery of industrial parks whereas Stratford currently assumes all funding responsibility for their industrial parks.

In addition to the above observations, the financing of services delivered by provincial and / or municipal levels of government are continuously evolving with many influences including financial, public expectations, historical patterns (i.e., legacies, existing infrastructure and politics). Financing responsibilities have evolved from and are likely to continue to evolve from a series of political directives and negotiations combined with changing costs and ability to pay.

4.2.2 Service Financing Comparisons to Other Municipalities

As part of the cross-jurisdiction review, PEI Provincial and Municipal service financing roles and responsibilities were compared to the selected municipalities. While Schedules 4.2:2, Comparison of Roles and Responsibilities – Charlottetown, 4.2:3, Comparison of Roles and Responsibilities – Summerside and 4.2:4, Comparison of Roles and Responsibilities – Stratford present a detailed account of these comparisons, the key observations are below.

Charlottetown

Key observations are as follows:

- Each municipality is responsible for financing the delivery of police, fire, local road and street maintenance, local road and street storm drainage, public transit, sewer collection and disposal, garbage collection, solid waste disposal, recreation services and planning and zoning;
- CBRM receives assistance from the provincial government for the financing of recreational facilities. This is unlike the other municipalities in this category;
- CBRM and Kingston share the financing for social services with their respective province whereas Charlottetown and Fredericton do not;
- All municipalities with the exception of Kingston share the responsibility for financing library service delivery;
- Charlottetown is the only municipality in this category which shares the financing responsibility for industrial park and inspection services delivery with the Province;
- Financing of lock-up facility service delivery varies across municipalities, i.e., Charlottetown and Kingston are not responsible, CBRM is and Fredericton shares this responsibility with the province;
- CBRM is the only municipality in this category which has financing responsibility for correction centre service delivery;
- Kingston is the only municipality in the category responsible for financing courthouse service delivery;

- Responsibility for financing of public housing varies among municipalities, i.e., Charlottetown is not responsible, CBRM and Fredericton share the responsibility with the province and Kingston is responsible;

- Financing of assessment services varies among the municipalities, i.e., neither Charlottetown nor CBRM are responsible, Fredericton shares this responsibility with the province and Kingston is responsible; and

- Neither Charlottetown nor Fredericton is responsible for financing the delivery of tax billing or tax collection services whereas CBRM and Kingston are.

Summerside

Key observations are as follows:

- Each municipality is responsible for financing the delivery of police, fire, local road and street maintenance, local road and street storm drainage, recreation services, sewer collection and disposal and planning and zoning;

- Summerside is the only municipality in this category which is not responsible for the financing of garbage collection and solid waste disposal service delivery – there is a separate board responsible for this under the direction of the province;

- Summerside and Truro share the responsibility for financing library service delivery with their respective provinces whereas Brockville is responsible for financing the delivery of this service;

- Summerside is the only municipality in this category which shares the responsibility for financing industrial park and inspection services delivery with the province, other municipalities are responsible and do not receive assistance from their respective provinces;

- Financing the delivery of education is the responsibility of all provincial governments in this category, however, it is important to note that municipalities sometimes contribute to the financing of this service;

- Summerside is not responsible for financing lock-up facility service delivery with the province whereas these are municipal responsibilities in Truro and Edmundston and provincial only in Brockville;

- Brockville is the only municipality in this category responsible for financing the delivery of courthouse service;

- Financing the delivery of public housing varies among the municipalities in this category, i.e., Brockville is responsible for financing this service, Summerside and Edmundston are not and it is a shared responsibility in Truro;

- Brockville is responsible for financing the delivery of assessment services whereas Summerside and Truro are not and Edmundston shares this responsibility with the province; and

- Tax billing and tax collection service delivery are financed by Truro, Edmundston and Brockville but not Summerside. In New Brunswick, a charge is imposed on municipalities for this service.

Stratford

Key observations are as follows:

- Each municipality is responsible for financing the delivery of police, fire, sewer collection and disposal, garbage collection, solid waste disposal, recreation services, recreation facilities and planning and zoning;

- Stratford is the only municipality in this category not responsible for financing the delivery of local road and street maintenance;

- Stratford is the only municipality in this category which shares responsibility for the financing of local road and street storm drainage with the province; all other municipalities are responsible for this without assistance from their respective provincial governments;

- Financing of social service delivery is the responsibility of all municipalities in this category with the exception of St. Mary's which shares this responsibility with the province. Stratford is not responsible for delivery of social services;

- Stratford and Kentville share the responsibility for financing the delivery of library services whereas St. Mary's is responsible for this without assistance from the province – this is not applicable to New Maryland as it does not have a library;

- Industrial park service financing is a municipal responsibility with the exception of Kentville – this is not applicable to New Maryland as it does not have an industrial park;

- Stratford is the only municipality in this category which shares the financing of inspection service delivery with the province;

- Kentville and St. Mary's share the responsibility for financing education service delivery whereas this is a provincial responsibility in the other two municipalities;

- Kentville is responsible for lock-up facility service delivery whereas Stratford is not – this is not applicable to New Maryland or St. Mary's as neither have lock-up facilities;

- Kentville shares the responsibility for financing correction centre service delivery whereas Stratford does not;

- Neither Stratford nor Kentville are responsible for financing the delivery of assessment services which is unlike New Maryland and St. Mary's; and

- Financing the delivery of tax billing and tax collection services is split; Kentville, New Maryland and St. Mary's are responsible for contributing to financing the delivery of these services whereas Stratford is not.

4.2.3 Conclusions

Key conclusions are as follows:

- Financing the delivery of assessment services, tax billing and tax collection is split. This is a provincial responsibility in PEI and a municipal responsibility in Nova Scotia (except for assessment services which are still delivered by the province, but the province intends to charge the municipalities for this service in the near future), New Brunswick and Ontario – as previously noted, the New Brunswick provincial government charges municipalities for this service;

- The general relationship between the province and municipalities is reasonable and continues to evolve; and

- Stratford is the only participating municipality not responsible for financing the delivery of local road and street maintenance and which shares the financing responsibility for local road and street storm drainage and inspection services with the Province.

4.2.4 Recommendations

The following service delivery financing role and responsibility changes are recommended assuming they are practical and financially advantageous for the Province and municipalities involved. If appropriate transition arrangements may be required to lessen the immediate impact of change. It is recommended that these factors be considered before implementing such changes:

- Align the responsibility for financing the delivery of local road and street maintenance and storm drainage to the municipal level of government;

- Align the responsibility for financing provincial road and street storm drainage with the provincial level of government;

- Align the responsibility for industrial park management service delivery financing between both levels of government when and where it is practical and beneficial for both parties. Joint involvement should not be mandated;

- Align the responsibility for financing the delivery of assessment, tax billing and collection services with both levels of government; and

- Align the responsibility for financing library service delivery (including facilities) with the provincial level of government.

A comparison of the recommended roles and responsibilities to the existing ones for service financing is provided on Schedule 4.2:5.

5. Streets and Roads

5.1 General Observations

The streets data for the participating municipalities were compared to selected municipalities in New Brunswick, Nova Scotia and Ontario. The information is provided on Schedule 5.2:1, Schedule 5.2:2 and Schedule 5.2:3. The most significant observations are as follows:

- Charlottetown and Summerside are responsible for the delivery and financing of their respective municipal street and roads whereas Stratford is not. All Stratford streets and roads (i.e., provincial and municipal) are serviced and financed by the Provincial Government - this is not common practice for larger urban areas;

- In accordance with the 1999 audited financial statements, Charlottetown's and Summerside's total operating and capital expenditures were $7,027,132 and $2,586,673 respectively, their total cost per kilometre was $33,147 and $24,687, and their cost per $100 of non-commercial assessment was $0.70 and $0.74 respectively;

- Across jurisdictions, there is no one commonly accepted and applied municipal or provincial government definition of street and road maintenance in terms of what services / components are included / excluded in the delivery and funding of this service. As a result, meaningful comparison of jurisdictions is difficult if not impossible;

- Allocation of street and road expenditures as operating and capital is done inconsistently across jurisdictions as is the segregation of winter and summer maintenance costs;

- The inclusion of salary expenses varies between and among jurisdictions;

- Across jurisdictions, there is no one method of calculating total number of kilometres of streets and roads – some jurisdictions use lane kilometres and others use linear kilometres; and

- There is no set of street and road maintenance standards between the PEI Provincial Government and participating PEI municipalities.

5.2 Comparisons to Other Municipalities

As per the terms of reference for this Review and the key focus areas confirmed during project initiation, the consulting team contacted representatives from each of the selected jurisdictions for the purpose of comparing street and road maintenance. As noted above, inconsistencies in the way in which street and road service is defined and budgeted exist and, as a result, meaningful comparison is difficult if not impossible to achieve without much more detailed analysis. Hence, the information presented in this section of the report should not be used to draw specific or concrete conclusions.

Charlottetown

A comparative analysis of street and road maintenance was conducted looking at the cities of Charlottetown, Prince Edward Island, Fredericton, New Brunswick, Kingston, Ontario and Cape Breton Regional Municipality (CBRM), Nova Scotia. A summary of the findings is as follows:

- Total kilometres (kms) of streets varied between and among the four comparable municipalities, i.e., Charlottetown has 235.0 kms, CBRM has 557.6 kms, Fredericton has 316 kms and Kingston has 821 kms;
- Operating and capital expenditures for road and street maintenance during fiscal year 1999 were as follows: $7,027,132 in Charlottetown; $20,598,052 in CBRM, $12,116,255 in Fredericton and $16,059,744 in Kingston;
- Charlottetown is the only municipality in this category which separately reports winter and summer street and road operating expenses;
- The total cost of street and road maintenance by kilometre varied across the municipalities. Specifically, Charlottetown had a total of $33,147/km, CBRM had a total cost of $43,612/km, Fredericton had a total cost of $44,382/km and Kingston had a total cost of $19,549/km. Again, Kingston's cost is much lower as salary expenditures were not included; and
- Total cost of street and road maintenance per $100 of non-commercial assessment is consistent between Charlottetown and Fredericton at $0.70 and $0.72 respectively. CBRM's cost was higher at $0.94 and Kingston's was lower at $0.37 as a result of not including salary expenditures thus bringing their cost down significantly.

Summerside

A comparative analysis of street and road maintenance was conducted looking at the cities of Summerside, Prince Edward Island, Edmundston, New Brunswick, Brockville, Ontario and Truro, Nova Scotia. A summary of the findings is as follows:

- Summerside and Brockville have a comparable total kilometres of streets and roads, i.e., 110.9 kms and 112.0 kms respectively whereas Truro is a little lower at 96.1 kms and Edmundston is much higher at 269.1 kms;
- Operating and capital expenditures for road and street maintenance during fiscal year 1999 were as follows: $2,586,673 in Summerside; $1,984,500 in Truro; $5,237,372 in Edmundston (this includes garbage collection); and $2,755,330 in Brockville;
- The total cost of street and road maintenance by kilometre was very consistent between and among all municipalities – all were between $21,316 and $24,687 – Summerside had the highest cost at $24,687; and

- Total cost of street and road maintenance per $100 of non-commercial assessment was calculated as being the highest in Summerside at $0.74. By comparison, Truro's cost was calculated as being $0.65, Edmundston's $0.63 and Brockville's $0.37.

Stratford

Stratford is not responsible for the delivery or financing of street and road maintenance. This is the responsibility of the Provincial Government. As a result, a comparison of Stratford to like municipalities was not performed. However, for information purposes and perhaps future comparison information was gathered from Kentville, Nova Scotia, New Maryland, New Brunswick and St. Mary's, Ontario. A summary of the findings is as follows:

- Total kilometres of streets and roads are very similar across these municipalities. Specifically, Kentville has 52 kms, New Maryland has 58.5 kms and St. Mary's has 55 kms. Comparatively, Stratford reportedly has 60 to 70 kilometres of streets and roads;

- None of the municipalities separately reported allocation of winter and summer street and road operating expenses;

- Unlike the other municipalities, New Maryland reported that they did not have any capital expenditures in 1999. Total capital and operating expenditures in 1999 were as follows: $790,000 in Kentville, $350,029 in New Maryland and $827,500 in St. Mary's;

- The total cost of street and road maintenance by kilometre again was very consistent between Kentville and St. Mary's at $15,192 and $15,045 respectively with New Maryland's being much lower at $6,591; and

- Total cost of street and road maintenance per $100 of non-commercial assessment was calculated as being the highest in Kentville at $0.46 followed by St. Mary's at $0.30 and finally New Maryland at $0.23.

A more detailed account of this information is located in Schedules 5.2:1, 5.2:2 and 5.2:3.

5.3 Conclusions & Recommendations

In addition to the observations / conclusions presented in Section 5.1, General Observations, the following conclusions / recommendations have been drawn:

- There is a requirement for standardization of street and road maintenance expenditure classification to better enable cost comparisons between the PEI Provincial and Municipal Governments. A suggested framework for costs and components to be included in street maintenance is provided in Schedule 5.3:1;

- Stratford and the Province should evaluate the cost-benefit of shifting street and road maintenance from the Province to the municipality as the current arrangement is

unlike that of any other jurisdiction included in this review - typically, local services are the responsibility of local government.

6. Police Services

6.1 General Observations

Although the Province of Prince Edward Island does have a Provincial Police Act that is governed by the Office of the Attorney General, its municipalities act fairly autonomously in the delivery of policing services. Through discussions with municipal and provincial representatives, it has been concluded that there is no one central body responsible for defining, implementing and monitoring the adherence to provincial policing service standards.

Two of the three municipalities participating in the Review, namely Charlottetown and Summerside, have their own municipal force consisting of 57 and 25 full-time officers serving a population base of 32,500 and 14,525 respectively. This translates into a current police-population serviced ratio of 1 to 570 in Charlottetown and 1 to 581 in Summerside. By contrast, the Town of Stratford has a policing services contract with the RCMP at a total cost of $298,561 per annum. This includes the dedication of four full-time officers servicing a population base of 6,608. The current police-population serviced ratio in Stratford is 1 to 1,625. Currently, there is no defined or applied formula for determining the required / ideal number of police officers to service the population base.

Reportedly, annual police costs incurred by Charlottetown, Summerside and Stratford during the fiscal year of 1999 were $4,494,514, $2,160,423 and $298,561 respectively. The total cost of service delivery per officer for each of these municipalities was $78,851, $86,417 and $74,640 respectively. The total cost of service delivery per capita in Charlottetown, Summerside and Stratford was $138.00, $148.74 and $45.18 respectively. Finally, the cost per $100 of non-commercial assessment in Charlottetown, Summerside and Stratford was $0.45, $0.62 and $0.15 respectively.

6.2 Comparisons to Other Municipalities

Charlottetown

A comparative analysis of police service delivery was conducted looking at the cities of Charlottetown, Prince Edward Island, Fredericton, New Brunswick, Kingston, Ontario and Cape Breton Regional Municipality, Nova Scotia. A summary of the findings is as follows:

- In 1999, two of the municipalities had their own police force namely, Charlottetown and Fredericton. The City of Kingston had a shared force with the OPP and the CBRM had a shared force with the RCMP;
- The total annual police costs during the comparative year of 1999 are most similar between Charlottetown and Fredericton (i.e., $4,494.514 and $6,711,558 respectively) and between CBRM and Kingston (i.e., $14,778,510 and $15,230,859 respectively);
- The cost of service delivery per capita is fairly consistent. Specifically, Charlottetown's cost was $138 per capita, CBRM's cost was $124 per capita, Fredericton's cost was $142 per capita and Kingston's cost was $131 per capita;

- The cost of police service delivery by officer was inconsistent among the four municipalities - $79,851 per officer in Charlottetown, $83,494 per officer in CBRM, $72,167 per officer in Fredericton and $103,611 per officer in Kingston;

- The population per officer ratio varied slightly among the four municipalities – 570 persons per officer in Charlottetown, 672 persons per officer in CBRM, 507 persons per officer in Fredericton and 789 persons per officer in Kingston;

- The cost of police service delivery per $100 of non-commercial assessment was very inconsistent among the four municipalities - $0.45 per $100 in Charlottetown, $0.67 per $100 in CBRM, $0.40 per $100 in Fredericton and $0.32 per $100 in Kingston.

It is important to note that the City of Charlottetown invested in a new police station during the comparative year, i.e., 1999, and that this investment was $2,156,612. As this was a one time capital investment, the cost was not included in this assessment.

Summerside

A comparative analysis of police service delivery was conducted looking at Summerside, Prince Edward Island, Edmundston, New Brunswick, Brockville, Ontario and Truro, Nova Scotia. A summary of the findings is as follows:

- All four municipalities have their own municipal police force;

- The total annual police costs during the comparative year of 1999 are similar among Summerside, Truro and Edmundston (i.e., $2,160,423, $2,250,000 and $2,391,941 respectively) and higher in Brockville at $4,453,152;

- The cost of service delivery per capita is fairly consistent among Summerside, Truro and Edmundston again with Brockville being higher, i.e., $148.74 per capita in Summerside, $75 per capita in Truro, $133.81 per capita in Edmundston and $212.64 per capita in Brockville;

- The cost of police service delivery by officer varied among the four municipalities - $86,417 per officer in Summerside, $64,286 per officer in Truro, $74,748 per officer in Edmundston and $106,027 per officer in Brockville;

- The population per officer ratio was fairly consistent among the four municipalities with Truro having the lowest ratio and Summerside having the highest – 581 persons per officer in Summerside, 857 persons per officer in Truro, 559 persons per officer in Edmundston and 499 persons per officer in Brockville;

- The cost of police service delivery per $100 of non-commercial assessment was very inconsistent among three of the four municipalities with Edmundston having a much lower cost per $100 of non-commercial assessment - $0.62 per $100 in Summerside, $0.74 per $100 in Truro, $0.29 per $100 in Edmundston and $0.54 per $100 in Brockville.

Stratford

A comparative analysis of police service delivery was conducted looking at the towns of Stratford, Prince Edward Island, New Maryland, New Brunswick, St. Mary's, Ontario and Kentville, Nova Scotia. A summary of the findings is as follows:

- Only one of the four municipalities has its own police force namely, Kentville. Both Stratford and New Maryland have contracts with the RCMP and St Mary's has a contract with the OPP;
- The total annual police costs during the comparative year of 1999 are similar between Stratford and New Maryland (i.e., $298,561 and $365,000 respectively) and similar between Kentville and St. Mary's (i.e., $890,000 and $820,000 respectively);
- The cost of service delivery per capita is inconsistent among the four municipalities with Kentville being the highest at $161.81 per capita and Stratford being the lowest at $45.18 per capita;
- The cost of police service delivery by officer was fairly similar among the four municipalities with St. Mary's having the highest cost per officer at $91,111 as compared to Stratford's $74,640 per officer. The lowest cost per officer was $55,625 and this was in Kentville;
- The population per officer ratio varied among the four municipalities – 1,652 persons per officer in Stratford, 344 persons per officer in Kentville, 857 persons per officer in New Maryland and 667 persons per officer in St. Mary's; and
- The cost of police service delivery per $100 of non-commercial assessment was very inconsistent among the four municipalities - $0.15 per $100 in Stratford, $0.52 per $100 in Kentville, $0.24 per $100 in New Maryland and $0.30 per $100 in St. Mary's.

A more detailed account of this comparative information is located in Schedules 6.2:1, 6.2:2 and 6.2:3.

6.3 Funding for Police

Since the time of amalgamation in 1995 and negotiation of the CUSA, funding for the provision of police services has been the responsibility of the participating municipalities (i.e., Stratford, Summerside and Charlottetown). The Province does however provide a tax credit of $0.20 for every $100 of non-commercial assessment to both Charlottetown and Summerside which is allocated for the delivery of policing services. The Town of Stratford also receives a $0.20 cent tax credit from the Province to assist with funding the police service but it is not specifically designated for this service. Through discussions with representatives from the Province, it appears as though there was no specific formula for arriving at the $0.20 cent per $100 of non-commercial assessment tax credit from the Province but rather a number of contributing factors including cost of service delivery and a desire for one consistent credit across the board. There is a component of funding in the municipal grant structure that is applied to policing, however, this component of the provincial grant system is not available to either Charlottetown, Summerside or Stratford. In addition to applying the tax credit

to policing services, each municipality applies collected revenues from such enforcement activities as fines and parking tickets.

6.4 Conclusions

The general conclusions are as follows:

- There are no province-wide policing standards which all municipalities must adhere to. The municipalities, perhaps in conjunction with the Province, may wish to collectively develop and implement such standards;
- Stratford's 1999 annual police costs were much lower than Charlottetown's and Summerside's due to the fact it does not have its own municipal force but rather has a contract with the RCMP for the provision of service by a total of four officers;
- There is no clearly defined or applied formula for establishing the required / ideal officer to population serviced ratio;
- As a result of the low number of officers in the Town of Stratford, its ratio of officers to population is very high, i.e., 1 to 1,652; and
- Through the cross-jurisdiction review, no significant variances were identified.

6.5 Recommendation

As there are no province-wide policing standards, the municipalities, in conjunction with the Province, should develop and implement such standards.

7. Provincial Municipal Funding

7.1 General Observations

Municipal financing is a constantly changing series of arrangements between the taxpayer, the municipality and the senior levels of government. An excellent summary is this excerpt from the Introduction of the Federation of Canadian Municipalities, 1998 Policy Statement on Municipal Finance:

> "The dynamic nature of municipal financing is a reflection of the constantly evolving arrangements between municipal governments and their provincial governments, as well as the changing fiscal arrangements between the federal and provincial governments. In the final analysis, municipal financing policies do not conform to a rigorous model or rationale which sets out what should exist and why. Rather, they represent the outcome of decisions which cover a wide variety of economic, social, financial and political factors. The ever-changing nature of municipal, provincial / territorial and federal decisions makes it difficult, if not impossible, to describe comprehensively and precisely the state of the art in municipal jurisdictions at any one time.
>
> Municipal financing is also complex because the assumptions underlying decisions are value judgments and, therefore, political in nature. For example, discussions on whether property taxes should be used for property services only, for property-related services and for social services, have no final answer except in the minds of the advocates for each position.
>
> There is no one model, rationale or set of criteria for municipal financing which would capture the unanimous consent of decision-makers within the federal system, or, for that matter, within any one order of government or single government. Municipal financing and the allocation of resources in a community are the product of the decisions of elected officials working in a democratic process where judgments are made about priorities and the appropriate use of resources to achieve them. This is the essence of politics. No magic formula can substitute for either the democratic process or political judgement, despite whatever dissatisfaction or frustration may exist about the apparent lack of logic, consistency, permanency or justice in the way in which municipal financing works anywhere in Canada."

In Prince Edward Island, property tax was the source of revenue for municipalities only until 1972. In 1972, the Province assumed the cost for education and chose to fund part of the cost through property tax revenue. A provincial property tax rate was introduced on non-commercial property assessment. In 1976 the Province also began to collect property tax revenues from commercial assessment. These changes were not made with any long-term vision of sharing service delivery and financing.

Earlier in this report, a recommended assignment of roles and responsibilities for service delivery and financing between the Province and the participating municipalities in this Review was made.

An agreement on the municipal and provincial roles and responsibilities for service delivery and for service funding sets the framework for municipal finance. Any changes are often the result of amalgamation of municipalities, service exchange between municipalities and senior levels of government, unilateral actions taken by senior levels of government or taxpayer demands.

As there is only one source of funds, the taxpayer, the usual approach to service exchange is cost / revenue neutrality at the time of the exchange. Unfortunately, there are hidden cost differentiations not accounted for at the time of the service exchange (or amalgamation).

These include:

- Cost / revenue neutrality can only be assured at the time of the service exchange or amalgamation. Subsequent changes in revenues and costs will introduce inequities;
- Different levels in standards of service inevitably result in higher future costs to deliver the service as the accepted standard of service becomes the higher standard (which is normally more expensive); and
- The ability for one government to deliver a service may not necessarily be as cost effective for another level of government to deliver that same service.

Generally speaking, restructuring or changing the roles and responsibilities between municipal and provincial governments have been done using the cost / revenue neutrality approach at the time of exchange or amalgamation, notwithstanding the hidden cost differentiations mentioned above. Occasionally, there may be a transition period provided to reduce the financial blow from unbalanced service exchanges. However, special adjustments or provisions for difficult standards are very rare. The adverse compounding effect is that the general public have (unrealistic?) expectations beyond those in effect before the service exchange or amalgamation, regardless of how high the service standards were. Consequently, as in most restructuring events, the service delivery costs increase.

7.2 Search for Equity and Fairness Issues

The issues to be addressed in this Review were identified at the beginning of the study and given in Section 3. However, in addition to this, all stages of the Review included continuing efforts to identify other possible significant inequities and unfair issues within the scope of the study.

It became apparent during the course of the study that, although the definition of appropriate roles and responsibilities for the Province and the municipalities was needed, most of the other issues revolved around the service exchange and amalgamations in 1995. In addition to the issues specified in Section 3, Summary of Key Issues, it became apparent that the appropriateness of the Province using property tax revenues was also an issue. The balance of this section of the report deals with the financial issues.

7.3 Property Tax is Used by both the Provinces and Municipalities

There are many approaches to funding municipal services but they are generally funded by three major categories, either exclusively or jointly:

- The Property Taxpayer
    - general property taxes
    - specific user fees
- The Provincial Government
    - conditional or unconditional grants
    - grants-in-lieu
    - special programs (e.g., equalization funding)
- The Federal Government
    - grants and capital assistance programs
    - special programs (e.g., human resource development)

Some maintain that the property tax base should be for the exclusive use of local government and the senior levels of government should use only income taxes, sales taxes, commodity taxes, etc. In practice, all levels of government are linked with many forms of joint funding or shared revenue sources. These linkages become important segments of each government's revenue base and cannot be changed rapidly without impacts on the other levels of government, and ultimately the taxpayer. Significant changes should be carefully planned in advance so the possible adverse consequences can be properly managed.

In Prince Edward Island, the provincial government shared the property tax base with the municipalities. The provincial property tax rate is $1.50 per $100 of assessment for both commercial and non-commercial property assessments. The municipalities also set property tax rates for commercial and non-commercial assessments. The Province shares its non-commercial tax revenues through discounts (e.g., for residents) and tax credits (e.g., $0.20 per $100 of assessment if a municipality provides its own police protection services). The Province accounts for its property tax revenue as general revenue and therefore is not obligated to use these revenues exclusively for specific expenditures. In the Province, property tax revenues make up 9.1% of its own revenues and 5.4% of its total revenues (i.e., includes federal transfers, etc.).

In New Brunswick, the provincial property tax rate is $1.50 per $100 of assessment and $2.25 per $100 of assessment for non-resident property owners. The provincial rate was introduced over 30 years ago. The provincial property tax revenues were intended to be used for health, justice and education. Like Prince Edward Island, the provincial property tax revenues in New Brunswick go into the general revenue fund. In New Brunswick, property tax revenues make up 9.3% of its own revenues and 5.6% of its total revenues. Property tax revenues are important to the provincial finances. The Province of New Brunswick uses unconditional grants (the majority of the money transferred to municipalities - $74 million) and conditional grants ($2 million, mostly for designated highways).

In Nova Scotia, the province uses property tax revenues for Education, Social Services, Corrections and Regional Housing purposes. Property taxpayers are charged about $0.36 per $100 of assessment. In Ontario property taxes include a provincial education rate of $0.41 per $100 of assessment. These are revenues collected through normal property tax bills by the municipalities for provincial expenditures. In Nova Scotia, the education property tax rate is determined and set annually so the

revenue gained aligns with the expenditure budget requirements. In addition, a municipality could use property tax revenues for Supplementary Education (e.g. $0.035 in HRM).

When a municipal government is responsible for delivering a service, an important consideration is to what extent the provincial government should be expected to contribute to the costs (whether from property tax revenues collected by the province, or any other general revenue of the province). Primarily, the provincial governments establish minimum and uniform standards for services throughout a province.

Accordingly, it would not be unreasonable for the provincial government to fund the minimum standards and to make this funding available equally to all municipal units. If any municipality wishes to deliver that service with higher standards, which would likely be more expensive, then expecting the province to pay for the higher standard in one municipality creates an inequity in financial terms to the other municipalities in the province.

7.3.1 Conclusions

- Property taxes are used as general revenues by the provinces and municipalities.
- The use of the property tax credit method to share revenues between the Province and the municipalities is unusual.
- The Province should not be expected to pay for all of the costs of delivering a service that is the responsibility of a municipality.
- The Province should be willing, where appropriate, to contribute to the cost of delivering a municipal service provided all municipalities receive a contribution intended to establish a uniform minimum standard of service at all municipalities.

7.4 The Property Tax Credit Approach

The property tax credit approach is described in the above section.

This tax sharing mechanism (using property tax credits) has several features that must be considered:

- The credit rates are established at a point in time, usually to match revenue earned with expenditures. The rates of growth of the revenues and the expenditures will undoubtedly differ resulting in losing equality of revenues and expenditures;
- Although the province is accountable for collecting the property tax, it is not accountable for the expenditures and the taxpayer cannot effectively hold either level of government accountable for the expenditures (cost of service); and
- The burden on the taxpayer is not the responsibility of one government.

The level of property taxes should relate to cost of services provided. If the property taxpayer wishes to have new services or higher standards for existing services, and local government provides the services, then the local government should increase its property tax rate. Increasing the provincial rate and the property tax credit to fund the added expenditures at the local level is not appropriate since:

- Increasing a province-wide rate removes any local accountability for increased property taxes; and

- Other municipalities will be effectively subsidizing the increased costs in another municipality even though they may not benefit from increased services or higher standards of service.

If the Province does not increase its property tax rates, where it does not provide local services, then the onus is much more clearly on the municipality. Similarly, the Province will limit its available property tax revenues and thereby can expect municipalities to be more self-financing.

7.4.1 Conclusions

- The property tax credit method sharing property tax revenues to fund a specific service does not permit direct accountability as the cost to deliver the service and the revenues to fund the service would only be equal at the time of initiation.

- The provincial government should not be expected to pay for all costs related to services that are solely the responsibility of municipal governments.

7.4.2 Recommendations

We recommend that:

- The provincial government undertake a study of the tax credit program with an objective to replace the tax credit method of transferring property tax revenues from the Province to the municipalities with a series of conditional grants structured to more closely match the cost of delivering the service or at least the cost to deliver a service that meets a minimum uniform standard. Any enhanced services or standards would be paid through municipal property tax revenues.

7.4.3 Provincial Non-Commercial Property Taxes Transfer

During the study process, a proposal was suggested that all provincial non-commercial property tax revenues be transferred to the municipalities. It may be possible to identify a fair exchange so the Province and municipalities will suffer minimal financial impacts (revenue / cost neutral). Otherwise, to transfer provincial property tax revenues without regard to a fair exchange is not equitable and we do not recommend such a transfer.

7.5 Comprehensive Urban Services Agreements

The Comprehensive Urban Service's Agreements ("CUSA") specified the financial arrangements for the exchange of services between the Province and Charlottetown and the Province and Summerside. The exchange of services was done at the same time as the City of Charlottetown and the Town of Summerside were amalgamated with adjacent urban communities. Two services, police and streets, had major financial impacts. In March, 1995, the Province signed a Memorandum of Understanding ("MOU") with Charlottetown and Summerside providing supplementary funding to CUSA. The

purpose of this section of the report is to determine if the service exchange and the financial arrangements (CUSA and MOU) were equitable and fair.

Some of the findings and conclusions arising from our review include:

- Negotiations started in 1994 for the amalgamation of adjacent communities;
- The initial intent was to transfer police to the municipalities and the Province would continue providing local streets and sidewalks services;
- The amalgamation principles were clearly documented by the Province and given to Charlottetown and Summerside;
- Financial neutrality was a basic requirement;
- The Province had no intention of providing funding for enhanced or improved standards of service, at amalgamations or in the future;
- Charlottetown and Summerside expected the Province to provide funding for services at their equivalent prevailing standards even if standards were much lower in the communities to be amalgamated;
- The negotiation process and draft legislation anticipate the Province continuing its responsibility for streets;
- Early in 1995, there was a change and the municipalities negotiated to assume responsibilities for the local streets;
- Charlottetown and Summerside Councils accepted responsibility for police and streets; and
- The Province and the municipalities (Charlottetown and Summerside) have been substantially following the terms and conditions of the CUSA's since 1995.

Extensive data exists analysing the fairness and equity (or unfairness and inequity) of the CUSA's to the municipalities. On the other hand, the specific documents providing the terms and conditions of the amalgamation and service exchange were not in sufficient detail to avoid misunderstanding, or were not executed (by Charlottetown).

The major issues seem to be:

- The Province has transferred the responsibilities for local streets on a revenue / cost neutral basis without regard to their standards or condition. The municipalities feel that funding must be provided by the Province to upgrade the streets to meet higher standards (similar to Charlottetown and Summerside); and
- The municipalities feel that the Province did not properly calculate the costs to upgrade the streets and maintain them at prevailing standards of Charlottetown and Summerside.

These issues and differences have continued since 1995 and have been the cause of strain between the Province and the municipalities since then. In order to address these issues, it was necessary to undertake further investigations, including:

- review of studies and amalgamation documents for the Halifax Regional Municipality ("HRM") and the Cape Breton Regional Municipality (CBRM");
- review approaches taken in other provinces for service exchange; and
- evaluate alternatives that might be suitable for the Province.

7.5.1 Principles of Fairness and Equity of Service Exchange

Based upon these investigations and the issues in the Province, the following principles were used as the foundation to evaluate the fairness and equity of the service exchange in 1995:

- the service exchange for police and streets should not place an additional (tax) burden on the former City of Charlottetown and Town of Summerside taxpayers;
- the service exchange must be done on a revenue / cost neutral basis; no adverse impacts or gains to be experienced by either the Province or municipalities (Charlottetown and Summerside); and
- any increased costs, subsequent to the April 1995 amalgamation date, for police and street services, either to upgrade the infrastructure or to provide higher standards of service, should be borne by the taxpayers in the areas receiving the benefits.

In 1999, the province signed MOU's with Charlottetown and Summerside to provide supplementary funding related to the original CUSA funding. These are taken into consideration in the evaluations that follow.

7.5.2 Police

Stratford has been using the RCMP for protective services and these arrangements did not change in 1995 and have not changed since. Charlottetown and Summerside provided police protective services with their own police forces. After amalgamating with the adjacent communities, the Charlottetown and Summerside police forces assumed responsibility for police protective services in the amalgamated areas as well in return for a $0.20 tax credit per $100 of non-commercial assessment. The purpose of this section is to determine if the financial arrangements were fair and equitable.

As discussed earlier in this section the principles to be followed are:

- The service exchange for police should not place an additional (tax) burden on the former City of Charlottetown and Town of Summerside taxpayers;
- The service exchange must be done on a revenue / cost neutral basis. There should be no adverse impacts or gains on the Province or municipalities; and

- Any increased costs, subsequent to the April 1995 amalgamation date, either to upgrade the assets or to provide higher standards of service, should be borne by the taxpayers receiving the benefits.

Prior to amalgamation, Charlottetown and Summerside delivered police protective services with their own police forces. They received a $0.20 tax credit per $100 of non-commercial assessment, although the available documentations do not specify if the tax credit was split between police and streets, it was assumed that the entire $0.20 tax credit was for police. At the time of amalgamation, Charlottetown lost the annual Police Grant received from the Province.

In order to determine the burden on the taxpayer, the cost to deliver police services was calculated as an equivalent tax rate on the non-commercial assessment. This "Expenditure as Equivalent Tax Rate" permitted comparisons using a common base. The 1994 audited cost amounts were used as the base for comparison.

For the Old City of Charlottetown ("Old City"), the base equivalent tax rate for police protection costs is $0.27 per $100 of non-commercial assessment. See Schedule 7.5.3:1 for details. The Old Town of Summerside's ("Old Town") base equivalent tax rate for police protection is $0.56 per $100 of non-commercial assessment. See Schedule 7.5.5:1 for details.

In order to determine the future impacts, the police costs and related tax credit revenues were obtained for fiscal years 1996, 1997 and 1999. All data were taken from the audited financial statements for Charlottetown and Summerside. The only capital expenditure of consequence was the new police station built in Charlottetown in 1999. This cost was amortized (straight line) over 10 years and the annual amount shown as the 1999 expense. The short ten-year term was taken as a conservative approach to cover related factors such as interest expense.

7.5.3 Analysis of Taxpayer Burden for Police Services in Charlottetown

The detailed calculations for Charlottetown are shown in Schedule 7.5.3:1. The equivalent tax rates for police protection and the annual changes since 1994 are:

	Old City Amalgamated Basis			
	1994	1996	1997	1999
	($0.00 per $100 of assessment)			
Expenditures as Equivalent tax rate	.27	.23	.24	.29
Change since 1994		(0.04)	(0.03)	.02

For the years 1996 and 1997, the equivalent tax rate for police protection was less than the rate for 1994. In 1999, the new police station added about $0.02 to the rate. Otherwise the 1999 tax rate would have been about equal to the 1994 tax rate at $0.27.

Another analytical approach is to calculate the differences between the subsequent years (1996, 1997 and 1999) and the base year of 1994. These differences of tax credit revenues, operating expenditures and non-commercial assessment could be attributed solely to the amalgamated areas as shown in the 1996 Change, 1997 Change and 1999 Change columns of Schedule 7.5.3:2.

The burden to taxpayers using this method are (per Schedule 7.5.3:2):

	Old City Amalgamated Basis			
	1994	**1996**	**1997**	**1999**
Total cost (000's of $)	1,252	2,227	2,281	2,879
Equivalent Tax Rates ($0.00 per $100 of assessment)				
• Base year – Old City	.27			
• Total amalgamated, New City		.23	.24	.29
• Amalgamated areas only		.20	.23	.30

With a base equivalent tax rate of $0.27 in 1994, all rates in 1996 and 1997 are less. In 1999, the total taxpayer burden is $0.29 per $100 of non-commercial assessment which is $0.02 higher than 1994. On the other hand, if the $0.27 in 1994 was indexed at 2% to 1999, the base would be $0.30 For the amalgamated areas only in 1999, this method assumes the entire cost of the new police stations belongs to the amalgamated areas resulting in a rate of $0.30 which is equal to the indexed base rate of the Old City. However, this is not fair or equitable, as the new police station benefits all of the taxpayers, Old city and amalgamated areas.

7.5.4 Conclusions – Charlottetown

- The taxpayers of Charlottetown (Old City) did not have an increase in the burden for police service above 1994 level until 1999.
- The cost of police service to the taxpayers in the amalgamated areas was less than to the taxpayer in the Old city until 1999 when the new police station was built.

7.5.5 Analysis of Taxpayer Burden for Police Services in Summerside

As for Charlottetown, using amounts from audited financial statement, the taxpayer burden is calculated for the Old Town in 1994 and for the total amalgamated areas in 1996, 1997 and 1999. The calculations are provided in Schedule 7.5.5:1 with the resulting equivalent tax rates for police protection and the changes when compared to the base year of 1994 as follows:

	Old Town Pre-Amalgamation			
	1994	1996	1997	1999
	($0.00 per $100 of assessment)			
Expenditures as Equivalent tax rate	.56	.34	.36	.42
Change since 1994		(.22)	(.20)	(.14)

In 1996, 1997 and 1999, all equivalent tax rates for police expenditures are less than the $0.56 per $100 of non-commercial assessment in 1994.

Taking the other approach, as done for Charlottetown, by calculating the differences between the base year (1994 – Old Town) and the subsequent years (1996, 1997 and 1999 – total amalgamated Summerside area), the revenues, costs, assessments and equivalent tax rate can be attributed to the amalgamated areas alone. These calculations are shown on Schedule 7.5.5:2 and the equivalent tax rates are:

	Old Town Pre-Amalgamation			
	1994	1996	1997	1999
Total cost (000's of $)	1,334	1,699	1,815	2,156
Equivalent Tax Rates ($0.00 per $100 of assessment)				
• Base year – Old Town	.56			
• Total amalgamated, New City		.34	.36	.42
• Amalgamated areas only		.15	.20	.08

The total amalgamated city equivalent tax rate for police protection in 1996, 1997 and 1999 ($0.34, $0.36 and $0.42 respectively) are less than the base rate of $0.56. In the amalgamated

areas, the net equivalent tax rate is much less than the $0.56 base rate when all the cost differences are allocated to the amalgamated areas.

7.5.6 Conclusion

- The taxpayers of Summerside have not experienced any unfair added tax burden for police protection services arising from the 1995 amalgamation.

7.5.7 Recommendation

We recommend that no changes be made to the CUSA arrangements for police protection services for Charlottetown and Summerside. The existing arrangements are fair and equitable. In the case of Summerside the situation is more than fair and equitable.

7.5.8 Streets

The fairness and equity of treatment of streets was a major issue to Charlottetown and Summerside in the service exchange. Stratford did not assume responsibilities for local streets. Extensive data, both conflicting and in agreement, were obtained from the Province, the City of Charlottetown, the City of Summerside and independent consultant studies. After reviewing the data, in some cases several times, it became evident that the cost per kilometre to maintain the local roads was not the real issue. The real issues were, as described earlier:

- The service exchange should not place an additional tax burden on the former City of Charlottetown and the Town of Summerside taxpayers;
- The service exchange must be done on a revenue / cost neutral basis; and
- Increased costs after April 1995 to upgrade or provide higher standard services must be borne by the taxpayers receiving the benefits.

7.5.8.1 Costs per Kilometre Consistent with Comparable Communities

In Schedule 5.2:1, the cost per kilometre to maintain Charlottetown streets is compared to CBRM, Nova Scotia, Fredericton, New Brunswick and Kingston, Ontario. The comparative annual costs are not out of line so there does not appear to be a need to investigate in more detail these comparisons.

Similarly for Summerside, the Schedule 5.2:2, the cost per kilometre to maintain the streets are in line with the other towns. Hence there does not appear to be a need for further investigation when evaluating the reasonableness of these annual costs to the taxpayer.

7.5.8.2 Approach to Evaluate Taxpayer Burden for Streets

As for police, it is necessary to determine whether there were any adverse impacts (additional tax burden) on the taxpayers of the old City of Charlottetown and the old Town of Summerside when the responsibility for streets was assumed by the municipalities. The principles used are:

- The service exchange for streets should not place an additional tax burden on the former City of Charlottetown and Town of Summerside taxpayers;
- The service exchange must be done on a revenue / cost neutral basis. There should be no adverse impacts or gains on the Province or on the municipalities; and
- Any increased costs, subsequent to the April 1995 amalgamation date, either to upgrade the streets or to provide higher standards of service, should be borne by the taxpayers receiving the benefits.

Accordingly, the equivalent tax rate (burden), using non-commercial assessment, to deliver the streets services is calculated and compared to the burden calculated for years subsequent to the amalgamations.

7.5.8.3 Taxpayer Burden for Streets – Charlottetown

The taxpayer burden for streets expenditures were prepared for Charlottetown under several scenarios; Taxpayer Burden when all capital expenditures are amortized over ten years (Schedule 7.5.8.2:1); Taxpayer Burden when all capital expenditures are excluded in general expenditures – the cash basis (Schedule 7.5.8.2:2); and Taxpayer Burden with the Base Year calculated as the average of the prior years – 1991 to 1994 – (Schedule 7.5.8.2:3). In all of these schedules, the following apply:

- All data for operating and capital expenditures were taken from the audited financial statements;
- Twenty-five percent of the 1994 grants were assumed for the first quarter of 1995;
- Seventy-five percent of the provincial tax credit revenues were used for the other three quarters of 1995;and
- Capital expenditures are net of grants.

In Schedule 7.5.8.2:1, the capital expenditures were amortized on a straight line basis over ten years, although the useful life will be much longer. This approach assumes all related costs, such as interest, are reflected in the short amortization period. The 1994 street expenditures were equivalent to a rate of $0.46 per $100 of non-commercial assessment. For the remaining years and a comparison to 1994, the taxpayer burden for 1995 to 1996 and compared to 1994 Old City only are:

	Old City Amortized Basis 1994	1995	1996	1997	1998	1999
		($0.00 per $100 of assessment)				
Expenditures as Equivalent tax rate	.46	.17	.13	.15	.14	.16
Change since 1994		(.29)	(.33)	(.31)	(.32)	(.30)

For each year after 1994, the equivalent tax rate for street expenditures was less than $0.46 per $100 of assessment. In fact the decrease was substantial, ranging from $0.29 to $0.33.

In schedule 7.5.8.2:2, all capital expenditures are recorded on a cash basis and each of the years 1995 to 1999 is compared to 1994. Each column headed "Change", shows the change from 1994 to that year. For example, the shaded column headed "1998 Change" is the difference between 1998 (amalgamated) and 1994 (Old City only). The change columns could be looked at as simply the change from 1994, but it could also be viewed as the impact by and on the amalgamated areas except all capital expenditures are assumed to be in these amalgamated areas. The net burden to taxpayers per Schedule 7.5.8.2:2 are:

	Old City Cash Basis 1994	1995	1996	1997	1998	1999
		($0.00 per $100 of assessment)				
Equivalent Tax Burden	.80	.44	.17	.14	.17	.16
Change since 1994 (amalgamated areas)		.03	.12	(.04)	.02	.01
Change in total Tax Burden since 1994		(.36)	(.63)	(.66)	(.63)	(.64)

Using 1994 actual operating and capital expenditures on a cash basis, the equivalent tax burden for streets in 1994 is $0.80. In 1995 the burden for the whole city is $0.44, which is $0.36 less than 1994. The equivalent tax burden for the amalgamated areas is $0.03 explaining why the total dropped from $0.80 in 1994 to $0.44 in 1999. This pattern is consistent for each of the following years, so one can conclude that the amalgamated areas did not result in added costs to Charlottetown on a cash basis.

In order to avoid the situation where 1994 was not representative of the prior operating and capital costs for streets in Charlottetown, the averages for 1991 to 1994 were calculated and used as the base year in Schedule 7.5.8.2:3. All other data are the same. The net burdens to taxpayers are:

	Old City - Average As Base 1994	1995	1996	1997	1998	1999
Equivalent Tax Burden	.54	.44	.17	.14	.17	.16
Change since 1994 (amalgamated areas)		.27	.36	.20	.25	.23
Change in total Tax Burden since 1994		(.10)	(.37)	(.40)	(.37)	(.38)

Note that except for the base year at $0.54, the equivalent tax burdens for the other years remain the same as in Schedule 7.5.8.2:2. It is not possible (without significant assumptions) to determine if there is any adverse impact on the taxpayers in the amalgamated areas as:

- The Province reports all property tax revenues as general operating revenue without any specific allocation to specific services (e.g., streets prior to amalgamation).
- The provincial expenditures are not accumulated by municipal boundary

7.5.8.4 Conclusions – Charlottetown

Using the various analytical approaches above, the conclusions would be:

- The taxpayers in Charlottetown are not experiencing an increased net burden on street expenditure since April 1995 based upon the 1994 actuals and the base year using the average of 1991 to 1994.
- The Province has provided tax credits revenue in excess of what was required to keep the taxpayers' post amalgamation and service exchange (streets) net burden comparable to that in 1994.

7.5.8.5 Taxpayer Burden for Streets – Summerside

For the periods 1995 to 1999, Summerside reported costs on streets on a cash basis which showed both operating expenses and capital expenditures as operating expenses. Three analytical approaches were taken to evaluate the impact of Summerside taking over the responsibility for streets in return for the CUSA funding: Schedule 7.5.8.5:1 calculates the

taxpayer burden for streets with the capital expenditures amortized over ten years; Schedule 7.5.8.5:2 shows the tax burden with all operating and capital on a cash basis (the method used by Summerside for annual financial reporting); and Schedule 7.5.8.5:3 shows the taxpayer burden for operating expenses only – no capital.

In these schedules, all information has been taken from audited financial statements or information obtained from city officials. For 1995, twenty-five percent of the 1994 grants and seventy-five percent of the tax credit revenues were used.

In Schedule 7.5.8.5:1, where all capital expenditures are amortized over ten years, the cost of streets for 1994 is an equivalent tax burden of $0.18 per $100 of non-commercial assessment. As shown below, taken from Schedule 7.5.8.5:1, in all years subsequent to 1994, the tax burden is less than $0.18.

	Old Town Amortized Basis 1994	1995	1996	1997	1998	1999
		($0.00 per $100 of assessment)				
Expenditures as Equivalent tax rate	.18	(.14)	(.25)	(.15)	(.08)	(.11)
Change since 1994		(.33)	(.43)	(.33)	(.26)	(.29)

In fact, all years have a net contribution rather than a net cost when following this method.

In Schedule 7.5.8.5:2, with all operating and capital shown as current expenses (cash basis), the equivalent tax burden on Old Town Summerside in 1994 was $0.26 as shown below:

	Old Town Cash Basis 1994	1995	1996	1997	1998	1999
		($0.00 per $100 of assessment)				
Equivalent tax burden	.26	.47	.47	.59	.75	.37
Incremental Change since 1994		.54	1.30	1.48	1.69	.98
Change in Total Tax Burden since 1994		.21	.21	.33	.49	.11

In each of the subsequent years, the equivalent tax burden is higher than 1994. This ranges from $0.11 in 1999 to $0.49 in 1998. The major changes have been caused by the extensive capital projects reported on a cash basis.

In Schedule 7.5.8.5:3, all capital expenditures were excluded. The tax burden in 1994 then dropped to $0.18 per $100 of non-commercial assessment as shown below.

Old Town Operating Only					
1994	1995	1996	1997	1998	1999
	($0.00 per $100 of assessment)				
Equivalent Tax Rate .18	(.21)	(.40)	(.40)	(.44)	(.55)
Incremental Change since 1994	(.67)	(.26)	(.25)	(.33)	(.52)
Change in Total Tax Rate since 1994	(.39)	(.58)	(.58)	(.62)	(.73)

After 1994, using the CUSA and MOU funding and excluding capital expenditures, all "tax burdens" are really contributions. These contributions went towards the capital expenditures; hence the CUSA arrangement providing funding for the capital expenditure programs after 1994. And as stated in Section 7.5.8.2, any increased costs subsequent to the April 1995 amalgamation date, either to upgrade the streets or to provide higher standards of service, should be borne by the taxpayers receiving the benefits.

7.5.8.6 Conclusions – Summerside

Using the analytical approaches above, the conclusions would include:

- The taxpayers of Summerside are not experiencing an increase in maintenance costs compared to 1994.
- Although the equivalent tax burden using the cash basis is higher in years subsequent to 1994, the capital project cost should be borne by the amalgamated city whose citizens have received the benefits.
- Using the amortization of capital method, the citizens of Summerside are not experiencing an increased equivalent tax burden for streets in the years following amalgamation.
- The Province has provided tax credit revenues in excess of what are required to keep the taxpayers post amalgamation and service exchange (streets) net burden comparable to that in 1994.

7.5.8.7 The Memoranda of Understanding

In 1999, the Province signed MOU's with Charlottetown and Summerside providing additional funding for streets as follows:

	Charlottetown	Summerside
Maintenance on core streets	$400,000	$200,000
Past miscalculation of street kilometres	460,000	117,760
	$860,000	$317,760

If these agreements were converted to a tax credit to align with the CUSA methodology, Charlottetown and Summerside would receive an additional $0.09 per $100 of non-commercial assessment. However, these MOU amounts were not necessary according to our earlier evaluations.

The MOU between the Province and Charlottetown also provided for an annual payment of $140,000 as a grant-in-lieu of taxes for the Queen Elizabeth Hospital. This should continue.

7.5.8.8 Recommendations

We recommend that:

- The annual amounts of $860,000 and $317,760, for Charlottetown and Summerside respectively, be converted into conditional grants and considered in the overall study (referred to above) to replace the tax credit method; and
- The annual payment of $140,000 as a grant-in-lieu of taxes for the Queen Elizabeth Hospital be continued as a conventional grant-in-lieu;

7.6 Loss of Grants and Additional Tax Revenues Received

In exchange for assuming the responsibility for local streets, Charlottetown received a tax credit of $0.46 per $100 of non-commercial assessment and Summerside received $0.76 per $100 of non-commercial assessment. But, Charlottetown and Summerside lost grants of $1,047,000 and $588,000 respectively. However, as shown in Schedule 7.6:1, using 1994 data, Charlottetown had a net gain of $1,082,000 and Summerside had a net gain of $506,000. As long as the cost to provide street services in the amalgamated adjacent communities did not exceed the tax credit revenues received for those areas, former City and former Town taxpayers received a net gain.

The next step is to determine the net cost to the taxpayer if the costs and revenue tax credits were applied to a fiscal year, separately for the old City or Town and the amalgamated areas. The capital expenditures were amortized over 10 years (even knowing the useful life could be from 20 to 50 years) to be conservative and provide for related debt costs.

Schedule 7.6.2 shows that for the old City of Charlottetown, under the "Old Deal" grant program, the taxpayers paid $2,143,000 for street services. Under the "New Deal", with no grants but with the tax credit provided by the Province, the taxpayers would pay $601,000 for the same services. For the amalgamated areas, the tax credit revenues would exceed the costs by $1,035,000. On a combined basis, the net gain to the amalgamated City of Charlottetown, would be:

		Gains (000s of $)
Old City - Old Deal	2,143	
- New Deal	601	1,542
Amalgamated areas		1,035
Net gain to City of Charlottetown		$2,577

1994 figures were used as the 1995 figures were not readily available in these classifications.

Similarly for Summerside, Schedule 7.6.3 shows that for the old Town of Summerside, under the "Old Deal" grant program, the taxpayers paid $266,000 for street services. Under the "New Deal", with no grants but with the tax credit from the Province, the taxpayers would have a net gain – the revenues would exceed the costs by $474,000. Similarly for the amalgamated areas, the revenues would exceed the costs by $467,000. The total gain for the amalgamated City of Summerside would be:

		Gains (000s of $)
Old Town - Old Deal	266	
- New Deal	(474)	740
Amalgamated areas		467
Net gain to City of Summerside		$1,207

7.6.1 Conclusion

In conclusion, it is clear that the costs of streets in the service exchange did not adversely impact Charlottetown and Summerside. Indeed, it could be said, that the Province transferred too much revenue in the form of tax credits at the time of the amalgamation.

7.7 Equalization Formula

In 1986, the Department of Community and Cultural Affairs issued an internal report, "Towards a Fair and Affordable Program of Municipal Grants". A component of this financial restructuring was an equalized assessment grant to "bring all deficient municipal tax bases up to the provincial average". The formula used to calculate the Equalized Assessment Grant uses the conventional variables and, if properly calculated, provides the needed financial assistance to municipal units that are below average in ability to generate property tax revenues. The equalization grant was later implemented, but soon after, the Province suspended normal annual calculations.

The grants to individual municipalities were uniformly "adjusted" annually. These adjustments could be "no adjustment" (freeze) or nominal across the board increases.

As part of the 1995 service exchange and amalgamation, the Province committed to:

- continue the Equalization Grants in 1995; and
- undertake a review within one year of the (1995) amalgamation.

If the Province does resume proper calculation as specified in the Equalized Grant formula, there will likely be a number of adverse impacts on individual grants to municipalities.

7.7.1 Recommendation

We recommend that no changes be made in the current approach to calculating the Equalization Grants until the study is completed to replace the tax credit methodology (recommended earlier).

If it is decided not to replace the tax credit methodology, then the Province should resume proper calculations of the Equalization Grants and provide transition provisions to individual municipalities where the changes are significant.

7.8 Tax Billing and Collection

During the early stages of the Review, especially when comparing the roles and responsibilities, we suggested that the municipalities assume the financial responsibilities for their portion of assessment services, tax billing services and tax collection services.

We recommend that:

- The Province continue to provide the assessment, tax billing and tax collection services; and
- The Province should recover part of its costs for assessment, tax billing and tax collection services from the municipalities.

7.9 Capital City Considerations

The issue of special considerations for being a capital city was evaluated. The procedures included:

- research on special provisions that may exist in other capital cities;
- consideration of the advantages and disadvantages of being a capital city;
- attempts to identify special or unique circumstances in Charlottetown when compared to other capital cities; and
- differentiation between special events versus ongoing roles and responsibilities.

We concluded that no special considerations were warranted for Charlottetown because of its position as the capital of Prince Edward Island.

Schedules

Schedule 4.1:1

PROVINCE OF PRINCE EDWARD ISLAND

REVIEW OF GOVERNMENT RESPONSIBILITY FOR SERVICES

Comparison of Participating Municipalities - Service Delivery

Service	Charlottetown		Summerside		Stratford	
	Provincial	Municipal	Provincial	Municipal	Provincial	Municipal
Police		X		X		X
Fire		X		X		X
Roads & Streets						
- Local		X		X	X	
- Provincial	X		X		X	
Storm Drainage						
Local Roads		X		X	X	X
Provincial Roads	X		X		X	
Public Transit		X				
Sewer Collection& Disposal		X		X		X
Water Supply & Distribution		X		X		X
Garbage Collection		X	X			X
Solid Waste Disposal	X		X		X	
Social Services	X		X		X	
Recreation Services		X		X		X
Recreational Facilities		X		X		X
Libraries	X	X	X		X	
Planning and Zoning		X		X		X
Industrial Parks	X	X	X	X		X
Inspection Services	X	X	X	X	X	X
Education	X		X		X	
Lock Up Facilities	X		X		X	
Correction Centers	X		X		X	
Courthouses	X		X		X	
Public Housing	X		X		X	
Assessment Services	X		X		X	
Tax Billing	X		X		X	
Tax Collection	X		X		X	

PROVINCE OF PRINCE EDWARD ISLAND

REVIEW OF GOVERNMENT RESPONSIBILITY FOR SERVICES

Comparison of Roles and Responsibilities - Charlottetown

Service Delivery

Service	Charlottetown		C B R M		Fredericton		Kingston	
	Provincial	Municipal	Provincial	Municipal	Provincial	Municipal	Provincial	Municipal
Police		X		X		X		X
Fire		X		X		X		X
Roads & Streets								
- Local		X		X		X		X
- Provincial	X		X		X	X	X	X
Storm Drainage								
Local Roads		X		X		X		X
Provincial Roads	X							
Public Transit		X		X		X		X
Sewer Collection& Disposal		X		X		X		X
Water Supply & Distribution		X						
Garbage Collection		X		X		X		X
Solid Waste Disposal	X			X		X		X
Social Services	X		X		X			X
Recreation Services		X		X		X		X
Recreational Facilities		X		X		X		X
Libraries	X	X		X	X	X		X
Planning and Zoning		X		X		X		X
Industrial Park Mgt.	X	X		X		X		X
Inspection Services	X	X		X		X		X
Education	X		X		X		X	
Lock Up Facilities	X			X	X	X	X	
Correction Centers	X		X		X		X	
Courthouses	X		X		X			X
Public Housing	X		X		X	X		X
Assessment Services	X		X		X		X	
Tax Billing	X			X	X			X
Tax Collection	X			X	X			X

Schedule 4.1:3

PROVINCE OF PRINCE EDWARD ISLAND

REVIEW OF GOVERNMENT RESPONSIBILITY FOR SERVICES

Comparison of Roles and Responsibilities - Summerside

Service Delivery

Service	Summerside		Truro		Edmunston		Brockville	
	Provincial	Municipal	Provincial	Municipal	Provincial	Municipal	Provincial	Municipal
Police		X		X		X		X
Fire		X		X		X		X
Roads & Streets								
- Local		X		X		X		X
- Provincial	X		X		X		X	X
Storm Drainage								
Local Roads		X		X		X		X
Provincial Roads	X							
Public Transit				X				X
Sewer Collection & Disposal		X		X		X		X
Water Supply & Distribution		X						
Garbage Collection	X			X		X		X
Solid Waste Disposal	X			X				
Social Services	X		X		X			X
Recreation Services		X		X		X		X
Recreational Facilities		X		X		X		X
Libraries	X			X				X
Planning and Zoning		X		X				X
Industrial Park Mgt	X	X		X				X
Inspection Services	X	X		X		X		X
Education	X		X		X		X	
Lock Up Facilities	X			X	X	X	X	
Correction Centers	X		X		X		X	
Courthouses	X		X		X			X
Public Housing	X		X		X			X
Assessment Services	X		X		X			X
Tax Billing	X			X	X			X
Tax Collection	X			X	X			X

Schedule 4.1:4

PROVINCE OF PRINCE EDWARD ISLAND

REVIEW OF GOVERNMENT RESPONSIBILITY FOR SERVICES

Comparison of Roles and Responsibilities - Stratford

Service Delivery

Service	Stratford		Kentville		New Maryland		St Mary's	
	Provincial	Municipal	Provincial	Municipal	Provincial	Municipal	Provincial	Municipal
Police		X		X		X		X
Fire		X		X		X		X
Roads & Streets								
- Local	X			X		X		X
- Provincial	X		X	X	X			
Storm Drainage								
Local Roads	X	X		X		X		X
Provincial Roads	X							
Public Transit				X		X		
Sewer Collection & Disposal		X		X		X		X
Water Supply & Distribution		X						
Garbage Collection		X		X		X		X
Solid Waste Disposal	X			X		X		X
Social Services	X		X				X	X
Recreation Services		X		X		X		X
Recreational Facilities		X		X		X		X
Libraries	X		X	X				X
Planning and Zoning		X		X		X		X
Industrial Park Mgt		X	X	X				X
Inspection Services	X	X		X		X		X
Education	X		X		X		X	X
Lock Up Facilities	X			X				
Correction Centers	X		X					
Courthouses	X		X					
Public Housing	X		X	X				
Assessment Services	X		X		X		X	
Tax Billing	X			X	X			X
Tax Collection	X			X	X			X

Schedule 4.1:5

PROVINCE OF PRINCE EDWARD ISLAND

REVIEW OF GOVERNMENT RESPONSIBILITY FOR SERVICES

Recommended and Current Service Delivery Roles and Responsibilities

	Recommended		Current Service Delivery Roles and Responsibilities					
			Charlottetown		Summerside		Stratford	
Service	Provincial	Municipal	Provincial	Municipal	Provincial	Municipal	Provincial	Municipal
Police		X		X		X		X
Fire		X		X		X		X
Roads/Streets & Storm Drainage								
- Local		X		X		X	X	
- Provincial	X		X		X		X	
Storm Drainage								
Local Roads		X		X		X	X	X
Provincial Roads	X		X		X		X	
Public Transit		X		X				
Sewer Collection & Disposal		X		X		X		X
Water Supply & Distribution		X		X		X		X
Garbage Collection	X			X	X			X
Solid Waste Disposal	X			X	X		X	
Social Services	X		X		X		X	
Recreation Services		X		X		X		X
Recreational Facilities		X		X		X		X
Libraries	X		X	X	X		X	
Planning and Zoning		X		X		X		X
Industrial Parks	X	X	X	X	X	X		X
Inspection Services	X	X	X	X	X	X	X	X
Education	X		X		X		X	
Lock Up Facilities	X		X		X		X	
Correction Centers	X		X		X		X	
Courthouses	X		X		X		X	
Public Housing	X		X		X		X	
Assessment Services	X		X		X		X	
Tax Billing	X		X		X		X	
Tax Collection	X		X		X		X	

Schedule 4.2:1

PROVINCE OF PRINCE EDWARD ISLAND

REVIEW OF GOVERNMENT RESPONSIBILITY FOR SERVICES

Comparison of Participating Municipalities - Service Financing

Service	Charlottetown		Summerside		Stratford	
	Provincial	Municipal	Provincial	Municipal	Provincial	Municipal
Police		X		X		X
Fire		X		X		X
Roads & Streets						
- Local		X		X	X	
- Provincial	X		X		X	
Storm Drainage						
Local Roads		X		X	X	X
Provincial Roads	X		X		X	
Public Transit		X				
Sewer Collection& Disposal		X		X		X
Water Supply & Distribution		X		X		X
Garbage Collection		X	X			X
Solid Waste Disposal		X	X			X
Social Services	X		X		X	
Recreation Services		X		X		X
Recreational Facilities		X		X		X
Libraries	X	X	X	X	X	X
Planning and Zoning		X		X		X
Industrial Parks	X	X	X	X		X
Inspection Services	X	X	X	X	X	X
Education	X		X		X	
Lock Up Facilities	X		X	X	X	
Correction Centers	X		X		X	
Courthouses	X		X		X	
Public Housing	X		X		X	
Assessment Services	X		X		X	
Tax Billing	X		X		X	
Tax Collection	X		X		X	

Schedule 4.2:2

PROVINCE OF PRINCE EDWARD ISLAND

REVIEW OF GOVERNMENT RESPONSIBILITY FOR SERVICES

Comparison of Roles and Responsibilities - Charlottetown

Service Financing

Service	Charlottetown		C B R M		Fredericton		Kingston	
	Provincial	Municipal	Provincial	Municipal	Provincial	Municipal	Provincial	Municipal
Police		X		X		X		X
Fire		X		X		X		X
Roads/Streets & Storm Drainage								
- Local		X		X		X		X
- Provincial	X		X		X		X	X
Storm Drainage								
Local Roads		X		X		X		X
Provincial Roads	X							
Public Transit		X		X		X		X
Sewer Collection & Disposal		X		X		X		X
Water Supply & Distribution		X						
Garbage Collection		X		X		X		X
Solid Waste Disposal		X		X		X		X
Social Services	X		X	X	X		X	X
Recreation Services		X		X		X		X
Recreational Facilities		X	X	X		X		X
Libraries	X	X	X	X	X	X		X
Planning and Zoning		X		X		X		X
Industrial Parks	X	X		X		X		X
Inspection Services	X	X		X		X		X
Education	X		X	X	X		X	
Lock Up Facilities	X			X	X	X	X	
Correction Centers	X		X	X	X		X	
Courthouses	X		X		X			X
Public Housing	X		X	X	X	X		X
Assessment Services	X		X		X	X		X
Tax Billing	X			X	X			X
Tax Collection	X			X	X			X

Schedule 4.2:3

PROVINCE OF PRINCE EDWARD ISLAND

REVIEW OF GOVERNMENT RESPONSIBILITY FOR SERVICES

Comparison of Roles and Responsibilities - Summerside

Service Financing

Service	Summerside		Truro		Edmunston		Brockville	
	Provincial	Municipal	Provincial	Municipal	Provincial	Municipal	Provincial	Municipal
Police		X		X		X		X
Fire		X		X		X		X
Roads & Streets								
- Local		X		X		X		X
- Provincial	X		X		X		X	X
Storm Drainage								
Local Roads		X		X		X		X
Provincial Roads	X							
Public Transit				X				X
Sewer Collection& Disposal		X		X		X		X
Water Supply & Distribution		X						
Garbage Collection	X			X		X		X
Solid Waste Disposal	X			X				X
Social Services	X		X		X		X	X
Recreation Services		X		X		X		X
Recreational Facilities		X		X				X
Libraries	X	X	X	X				X
Planning and Zoning		X		X				X
Industrial Parks	X	X		X				X
Inspection Services	X	X		X		X		X
Education	X		X	X	X		X	
Lock Up Facilities	X	X		X		X	X	
Correction Centers	X		X		X		X	
Courthouses	X		X		X			X
Public Housing	X		X	X	X			X
Assessment Services	X		X		X	X		X
Tax Billing	X			X	X			X
Tax Collection	X			X	X			X

Schedule 4.2:4

PROVINCE OF PRINCE EDWARD ISLAND

REVIEW OF GOVERNMENT RESPONSIBILITY FOR SERVICES

Comparison of Roles and Responsibilities - Stratford

Service Financing

Service	Stratford		Kentville		New Maryland		St Mary's	
	Provincial	Municipal	Provincial	Municipal	Provincial	Municipal	Provincial	Municipal
Police		X		X		X		X
Fire		X		X		X		X
Roads & Streets								
- Local	X			X		X		X
- Provincial	X		X		X		X	
Storm Drainage								
Local Roads	X	X		X		X		X
Provincial Roads	X							
Public Transit				X				
Sewer Collection & Disposal		X		X		X		X
Water Supply & Distribution		X						
Garbage Collection		X		X		X		X
Solid Waste Disposal		X		X		X		X
Social Services	X		X				X	X
Recreation Services		X		X		X		X
Recreational Facilities		X		X		X		X
Libraries	X	X	X	X				X
Planning and Zoning		X		X		X		X
Industrial Parks		X	X					X
Inspection Services	X	X		X		X		X
Education	X		X	X	X		X	X
Lock Up Facilities	X			X				
Correction Centers	X		X	X				
Courthouses	X		X					
Public Housing	X		X	X				
Assessment Services	X		X			X		X
Tax Billing	X			X	X			X
Tax Collection	X			X	X			X

Schedule 4.2:5

PROVINCE OF PRINCE EDWARD ISLAND

REVIEW OF GOVERNMENT RESPONSIBILITY FOR SERVICES

Recommended and Current Service Financing Roles and Responsibilities

	Recommended		Current Service Financing Roles and Responsibilities					
			Charlottetown		Summerside		Stratford	
Service	Provincial	Municipal	Provincial	Municipal	Provincial	Municipal	Provincial	Municipal
Police		X		X		X		X
Fire		X		X		X		X
Roads/Streets & Storm Drainage								
- Local		X		X		X	X	
- Provincial	X		X		X		X	
Storm Drainage								
Local Roads		X		X		X	X	X
Provincial Roads	X		X		X		X	
Public Transit		X		X				
Sewer Collection & Disposal		X		X		X		X
Water Supply & Distribution		X		X		X		X
Garbage Collection	X			X	X			X
Solid Waste Disposal	X			X	X			X
Social Services	X		X		X		X	
Recreation Services		X		X		X		X
Recreational Facilities		X		X		X		X
Libraries	X		X	X	X	X	X	X
Planning and Zoning		X		X		X		X
Industrial Parks	X	X	X	X	X	X		X
Inspection Services	X	X	X	X	X	X	X	X
Education	X		X		X		X	
Lock Up Facilities	X	X	X		X		X	
Correction Centers	X		X		X		X	
Courthouses	X		X		X		X	
Public Housing	X		X		X		X	
Assessment Services	X	X	X		X		X	
Tax Billing	X	X	X		X		X	
Tax Collection	X	X	X		X		X	

PROVINCE OF PRINCE EDWARD ISLAND

REVIEW OF GOVERNMENT RESPONSIBILITY FOR SERVICES

Charlottetown-Comparison of Streets Data and Analysis

(PEI Data Taken from 1999 Audited Financial Statements)

	Charlottetown	CBRM	Fredericton	Kingston
	PEI	NS	NB	ON
KILOMETERS				
Provincial	23.0	85.3	43	
Municipal	212.0	472.3	273	821.5
Total	235.0	557.6	316.0	821.5
NON COMMERCIAL ASSESSMENT	999,513,500	2,193,468,100	1,681,146,000	4,342,604,047
OPERATING EXPENSES				
Winter	647,765			
Other	5,666,666			
Total	6,314,431	15,963,225	6,042,339	12,727,686
CAPITAL EXPENSES				
Capital	712,701	2,775,340	6,073,916	3,332,058
Other		1,859,487		
Total	712,701	4,634,827	6,073,916	3,332,058
TOTAL OPERATING AND CAPITAL	7,027,132	20,598,052	12,116,255	16,059,744
COST PER KILOMETER				
Operating	29,785	33,799	22,133	15,493
Capital	3,362	9,813	22,249	4,056
Total	33,147	43,612	44,382	19,549
COST PER $100 OF NON				
COMM ASSESSMENT	0.70	0.94	0.72	0.37

PROVINCE OF PRINCE EDWARD ISLAND

REVIEW OF GOVERNMENT RESPONSIBILITY FOR SERVICES

Summerside-Comparison of Streets Data and Analysis

(PEI Data Taken from 1999 Audited Financial Statements)

	Summerside PEI	Truro NS	Edmundston NB	Brockville ON
KILOMETERS			Includes Garbage Collection	
Provincial	6.1	3.0	51.6	
Municipal	104.8	93.1	217.5	112.0
Total	110.9	96.1	269.1	112.0
NON COMMERCIAL ASSESSMENT	347,288,799	305,578,100	835,224,900	739,222,695
OPERATING EXPENSES				
Winter	341,838			
Other	722,442	1,521,000		
Total	1,064,280	1,521,000	4,769,372	1,765,330
CAPITAL EXPENSES				
Capital	1,522,393	463,500		990,000
Other				
Total	1,522,393	463,500	468,000	990,000
TOTAL OPERATING AND CAPITAL	2,586,673	1,984,500	5,237,372	2,755,330
COST PER KILOMETER				
Operating	10,157	16,337	21,928	15,762
Capital	14,529	4,979	2,152	8,839
Total	24,687	21,316	24,080	24,601
COST PER $100 OF NON COMM ASSESSMENT	0.74	0.65	0.63	0.37

PROVINCE OF PRINCE EDWARD ISLAND

REVIEW OF GOVERNMENT RESPONSIBILITY FOR SERVICES

Stratford-Comparison of Streets Data and Analysis

(PEI Data Taken from 1999 Audited Financial Statements)

	Stratford	Kentville	New Maryland	St. Mary's
	PEI	NS	NB	ON
KILOMETERS				
Provincial		N/A	No Salaries	
Municipal		52	7.58	N/A
Total	N/A	52	50.92	55
			58.5	55
NON COMMERCIAL ASSESSMENT	199,611,444	172,103,100	154,714,900	271,857,505
OPERATING EXPENSES				
Winter				167,500
Other				357,000
Total	N/A	265,000	350,029	524,500
CAPITAL EXPENSES				
Capital		505,000		303,000
Other				
Total	N/A	505,000	N/A	303,000
TOTAL OPERATING AND CAPITAL	N/A	790,000	350,029	827,500
COST PER KILOMETER				
Operating		5,481	6,874	9,536
Capital		9,712	N/A	5,509
Total	N/A	15,192	6,591	15,045
COST PER $100 OF NON COMM ASSESSMENT	N/A	0.46	0.23	0.30

PROVINCE OF PRINCE EDWARD ISLAND

REVIEW OF GOVERNMENT RESPONSIBILITY FOR SERVICES

Components / Costs Included in Street Maintenance

Item	Engineering		Finance	
	Yes	No	Yes	No
OPERATING				
Patching	X		X	
Traffic signage	X		X	
Traffic Markings	X		X	
Leaf/Litter Pick Up	X		X	
Chip Sealing	X		X	
Guardrails	X		X	
Sidewalk Maintenance		X	X	
Curb and Gutter	X		X	
Plowing - Streets	X		X	
Plowing - Sidewalks		X	X	
Street Lighting		X	X	
Crack Sealing	X		X	
Main Artery Patching	X		X	
Bridge Repairs	X		X	
CAPITAL				
Resurfacing	X		X	
Sidewalks		X	X	
Extensions	X		X	
New Pavings	X		X	

PROVINCE OF PRINCE EDWARD ISLAND

POLICE PROTECTION SURVEY

COMPARATIVE DATA - CHARLOTTETOWN
Based on Fiscal Year 1999

	CHARLOTTETOWN PEI	CBRM NS	FREDERICTON NB	KINGSTON ON
MUNICIPAL STATISTICS				
Population Serviced	32,500	119,000	47,154	116,000
Police Annual Costs	$4,494,514	$14,778,510	$6,711,558	$15,230,859
Non Commercial Assessment	$999,513,900	$2,193,468,100	$1,681,146,600	$4,707,813,626
POLICE FORCE				
Own or Other	Own	Own/RCMP	Own	Municipal/OPP
Number of Full Time Officers	57	177	93	147
ANALYSIS				
Cost per Capita	$138	$124	$142	$131
Cost per Officer	$78,851	$83,494	$72,167	$103,611
Population per Officer	570	672	507	789
Cost per $100 of Non Comm. Assessment	$0.45	$0.67	$0.40	$0.32

* 1999 Charlottetown annual police costs included an operating budget of $4,561,514 and a capital budget of $2,156,612 for a new police station. Calculations presented are based on total expenditures.

** 1999 City of Kingston police service delivery was shared between the municipality and OPP. All service delivery responsibility was transferred to OPP on July 1, 1999.

** 1999 CBRM police service delivery was shared between the municipality and the RCMP

PROVINCE OF PRINCE EDWARD ISLAND

POLICE PROTECTION SURVEY

COMPARATIVE DATA - SUMMERSIDE

(Based cn Fiscal Year 1999)

	SUMMERSIDE PEI	TRURO NS	EDMUNDSTON NB	BROCKVILLE ON
MUNICIPAL STATISTICS				
Population Serviced	14,525	30,000	17,876	20,942
Police Annual Costs	$2,160,423	$2,250,000	$2,391,941	$4,453,152
Non Commercial Assessment	$347,288,799	$305,578,100	$835,224,900	$819,299,818
POLICE FORCE				
Own or Other	Own	Own	Own	Own
Number of Full Time Officers	25	35	32	42
ANALYSIS				
Cost per Capita	$148.74	$75.00	$133.81	$212.64
Cost per Officer	$86,417	$64,286	$74,748	$106,027
Population per Officer	581	857	559	499
Cost per $100 of Non Comm. Assessment	$0.62	$0.74	$0.29	$0.54

PROVINCE OF PRINCE EDWARD ISLAND

POLICE PROTECTION SURVEY

COMPARATIVE DATA - STRATFORD

	STRATFORD P E I	KENTVILLE N S	NEW MARYLAND N B	ST MARY'S ON
MUNICIPAL STATISTICS				
Population	6,608	5,500	4,284	6,000
Police Annual Costs	$298,561	$890,000	$365,000	$820,000
Non Commercial Assessment	$199,611,444	$172,103,100	$154,714,900	$276,111,605
POLICE FORCE				
Own or Other	RCMP	Own	RCMP	OPP
Number of Full Time Officers	4	16	5	9
ANALYSIS				
Cost per Capita	$45.18	$161.82	$85.20	$136.67
Cost per Officer	$74,640	$55,625	$73,000	$91,111
Population per Officer	1,652	344	857	667
Cost per $100 of Non Comm. Assessment	$0.15	$0.52	$0.24	$0.30

Schedule 7.5.3:1

PROVINCE OF PRINCE EDWARD ISLAND

Comparison of Police Costs and Tax Credit Revenues

1994 (pre amalgamation); 1996; 1997; 1999

Charlottetown
(000's)

		Old City Pre Amalg 1994	1996	1997	1999
EXPENDITURES					
Police Protection		2,638	4,119	4,210	4,662
Capital					
New Police Station					2,157
Total		0	0	0	2,157
Annualized (10 years)		0	0	0	216
TOTAL		2,638	4,119	4,210	4,878
REVENUE SOURCES					
Transferred Property Taxation					
Assessment		462,750.3	946,196.8	964,345.9	999,513.9
Revenues ($ .20 per $100)		926	1,892	1,929	1,999
Provincial Police Grant - add		460			
Net Revenue for Police		1,386	1,892	1,929	1,999
NET BURDEN TO TAXPAYER	Amount	1,252	2,227	2,281	2,879
	Equiv Tax Rate	0.27	0.23	0.24	0.29
	Change in Tax Rate Since 1994		(0.04)	(0.03)	0.02

Schedule 7.5.3:2

PROVINCE OF PRINCE EDWARD ISLAND

Comparison of Police Costs and Tax Credit Revenues

1994 (pre amalgamation); 1996; 1997; 1999

Charlottetown
(000's)

		Old City Pre Amalg 1994	1996 Change	1996	1997 Change	1997	1999 Change	1999
EXPENDITURES								
	Police Protection	2,638	1,481	4,119	1,572	4,210	2,024	4,662
	Capital							
	New Police Station							2,157
	Total	0		0		0		2,157
	Annualized (10 years)	0		0		0	216	216
	TOTAL	2,638	1,481	4,119	1,572	4,210	2,240	4,878
REVENUE SOURCES								
	Transferred Property Taxation							
	Assessment	462,750.3	483,446.5	946,196.8	601,696.6	964,345.9	536,763.6	999,513.9
	Revenues ($ .20 per $100)	926	967	1,892	1,003	1,929	1,074	1,999
	Provincial Police Grant - add / (deduct)	460	(460)		(460)		(460)	
	Net Revenue for Police	1,386	507	1,892	543	1,929	614	1,999
NET BURDEN TO TAXPAYER	Amount	1,252	974	2,227	1,029	2,281	1,626	2,879
	Equiv Tax Rate	0.27		0.23		0.24		0.29
	Incremental change Since 1994 (amalgamated areas)		0.20		0.23		0.30	
	Change in Tax Rate Since 1994			(0.04)		(0.03)		0.02

PROVINCE OF PRINCE EDWARD ISLAND

Comparison of Police Costs and Tax Credit Revenues

1994 (pre amalgamation); 1996; 1997; 1999

Summerside
(000's)

		Old Town Pre Amalg 1994	1996	1997	1999
EXPENDITURES					
Police Protection		1,334	1,699	1,815	2,156
Capital					
Total		0	0	0	0
Annualized (10 years)		0	0	0	0
TOTAL		1,334	1,699	1,815	2,156
TRANSFERRED REVENUES					
Property Taxation					
Assessment		143,927.9	313,899.3	321,779.4	347,288.8
Revenues ($ .20 per $100)		288	628	644	695
Provincial Police Grant - add		234			
Net Revenue for Police		522	628	644	695
NET BURDEN TO TAXPAYER	Amount	812	1,071	1,171	1,461
	Equiv Tax Rate	0.56	0.34	0.36	0.42
	Change in Tax Rate Since 1994		(0.22)	(0.20)	(0.14)

Schedule 7.5.5:2

PROVINCE OF PRINCE EDWARD ISLAND

Comparison of Police Costs and Tax Credit Revenues

1994 (pre amalgamation); 1996; 1997; 1999

Summerside

(000's)

	Old Town Pre Amalg 1994	1996 Change	1996	1997 Change	1997	1999 Change	1999
EXPENDITURES							
Police Protection	1,334	365	1,699	481	1,815	341	2,156
Capital							
Total	0		0		0		0
Annualized (10 years)	0		0		0		0
TOTAL	1,334	365	1,699	481	1,815	341	2,156
TRANSFERRED REVENUES							
Property Taxation							
Assessment	143,927.9	169,971.4	313,899.3	177,851.5	321,779.4	203,360.9	347,288.8
Revenues ($ .20 per $100)	288	340	628	358	644	407	695
Provincial Police Grant - add / (deduct)	234	(234)		(234)		(234)	
Net Revenue for Police	522	106	628	122	644	173	695
NET BURDEN TO TAXPAYER Amount	812	259	1,071	359	1,171	168	1,461
Equiv Tax Rate	0.56		0.34		0.36		0.42
Incremental change Since 1994 (amalgamated areas)		0.15		0.20		0.08	
Change in Tax Rate Since 1994			(0.22)		(0.20)		(0.14)

Schedule 7.5.8.2:1

PROVINCE OF PRINCE EDWARD ISLAND

Comparison of Street Costs and Tax Credit Revenues

1994 (pre amalgamation) and 1995 to 1999

Charlottetown

(000's)

		Old City 1994	1995	1996	1997	1998	1999
EXPENDITURES							
Ordinary Maintenance		2,557	4,282	5,026	5,300	5,225	6,292
Capital							
	Street & Sidewalks	682	2,760	901	527	994	416
	Storm Drainage	1,049	209	5	0	0	359
	Total	1,731	2,969	906	527	994	775
	Less Grants						
	Net Capital	1,731	2,969	906	527	994	775
	Annualized (10 years)	173	297	91	53	99	78
	Cumulative Annual. Capital	173	470	561	613	713	790
TOTAL		2,730	4,752	5,587	5,913	5,938	7,082
TRANSFERRED REVENUES							
Property Taxation							
	Assessment	462,750.3	948,293.5	946,196.8	964,345.9	982,934.3	999,513.9
	Revenues ($ .46 per $100)	0	3,272	4,353	4,436	4,521	4,598
Less Grants terminated							
	- local streets	414	104				
	- designated streets	173	43				
		587	147	0	0	0	0
	Net Revenue for Streets	587	3,125	4,353	4,436	4,521	4,598
NET BURDEN TO TAXPAYER BEFORE MOU		2,143	1,627	1,234	1,477	1,416	2,484
PAYMENTS FOR STREETS FROM MOU							860
NET BURDEN TO TAXPAYER	Amount	2,143	1,627	1,234	1,477	1,416	1,624
	Equiv Tax Rate	0.46	0.17	0.13	0.15	0.14	0.16
	Change in Tax Rate Since 1994		(0.29)	(0.33)	(0.31)	(0.32)	(0.30)

Schedule 7.5.8.2:2

PROVINCE OF PRINCE EDWARD ISLAND

Comparison of Street Costs and Tax Credit Revenues

All Capital In General Expenditures

1994 (pre amalgamation) and 1995 to 1999

Charlottetown

(000's)

	Old City 1994	1995 Change	1995	1996 Change	1996	1997 Change	1997	1998 Change	1998	1999 Change	1999
EXPENDITURES											
Ordinary Maintenance	2,557	1,726	4,282	2,469	6,026	2,743	6,300	2,868	6,225	2,735	6,292
Capital											
Street & Sidewalks	682		2,760		901		527		994		416
Storm Drainage	1,049		200		5		0		0		359
Total	1,731	1,230	2,960	(826)	906	(1,204)	527	(737)	994	(968)	775
TOTAL	4,288	2,963	7,251	1,644	6,932	1,539	6,827	1,931	8,219	2,779	7,067
TRANSFERRED REVENUES											
Property Taxation											
Assessment	462,750.3	485,843.2	948,293.5	483,446.5	946,196.8	501,595.0	964,345.9	520,184.0	982,934.3	526,763.6	999,513.9
Revenues ($ .46 per $100)	0	3,272	3,272	1,868	4,353	2,307	4,436	2,393	4,521	2,469	4,598
Less Grants terminated											
- local streets	414		104	414		414		414		414	
- designated streets	173		43	173		173		173		173	
	587	440	147	587	0	587	0	587	0	587	0
Net Revenue for Streets	587	3,831	3,125	1,081	4,353	1,720	4,436	1,806	4,521	1,882	4,598
NET BURDEN TO TAXPAYER BEFORE MOU	3,701	132	4,126	563	1,579	(181)	1,391	126	1,698	897	2,469
PAYMENTS FOR STREETS FROM MOU										860	860
NET BURDEN TO TAXPAYER Amount	3,701	132	4,126	563	1,579	(181)	1,391	126	1,698	37	1,609
Equiv Tax Rate	0.80		0.44		0.17		0.14		0.17		0.16
Incremental Change Since 1994		0.03		0.12		(0.04)		0.02		0.01	
Change in Tax Rate Since 1994			(0.36)		(0.63)		(0.66)		(0.63)		(0.64)

PROVINCE OF PRINCE EDWARD ISLAND

Comparison of Street Costs and Tax Credit Revenues

All Capital in General Expenditures

Average Base (1991 to 1994) and 1995 to 1999

Charlottetown

(000's)	Old City Average As Base	1995 Change	1995	1996 Change	1996	1997 Change	1997	1998 Change	1998	1999 Change	1999
EXPENDITURES											
Ordinary Maintenance	2,915	1,367	4,282	2,111	5,026	2,385	5,300	2,310	5,225	3,377	6,292
Capital (Net of Grants)											
Street & Sidewalks			2,760		901		527		994		416
Storm Drainage			209		5		0		0		359
Total	189	2,780	2,969	717	906	338	527	805	994	588	775
TOTAL	3,104	4,147	7,251	2,828	5,932	2,723	5,827	3,115	6,219	3,963	7,067
TRANSFERRED REVENUES											
Property Taxation											
Assessment	462,750.3	485,543.2	948,293.5	483,446.5	946,196.8	501,595.6	964,345.9	520,184.0	982,934.3	536,763.6	999,513.9
Revenues ($ .46 per $100)	0	3,272	3,272	1,668	4,353	2,307	4,436	2,393	4,521	2,469	4,598
Less Grants terminated											
- local streets	414		104	414		414		414		414	
- designated streets	173		43	173		173		173		173	
	587	440	147	587	0	587	0	587	0	587	0
Net Revenue for Streets	587	2,831	3,125	1,081	4,353	1,720	4,436	1,806	4,521	1,882	4,598
NET BURDEN TO TAXPAYER BEFORE MOU	2,517	1,316	4,126	1,747	1,579	1,003	1,391	1,309	1,698	2,081	2,469
PAYMENTS FOR STREETS FROM MOU										860	860
NET BURDEN TO TAXPAYER Amount	2,517	1,316	4,126	1,747	1,579	1,003	1,391	1,309	1,698	1,221	1,609
Equiv Tax Rate	0.54		0.44		0.17		0.14		0.17		0.16
Incremental Change Since Base Year		0.27		0.36		0.20		0.25		0.23	
Change in Tax Rate Since 1994			(0.10)		(0.37)		(0.40)		(0.37)		(0.38)

PROVINCE OF PRINCE EDWARD ISLAND

Schedule 7.5.8.5:1

Comparison of Street Costs and Tax Credit Revenues

1994 (pre amalgamation) and 1995 to 1999

Summerside

(000's)

	Old Town 1994	1995	1996	1997	1998	1999
EXPENDITURES						
Ordinary Maintenance	615	1,006	1,115	1,167	1,071	1,064
Capital						
Street & Sidewalks	49	2,090	2,576	3,173	3,912	3,164
Storm Drainage			182	7	50	
Total	49	2,090	2,758	3,180	3,962	3,164
Less Grants						
Net Capital	49	2,090	2,758	3,180	3,962	3,164
Annualized (10 years)	5	209	276	318	396	316
Cumulative Annual. Capital	5	214	490	808	1,204	1,520
TOTAL	620	1,220	1,605	1,975	2,275	2,584
TRANSFERRED REVENUES						
Property Taxation						
Assessment						
Revenues ($ .76 per $100)	143,927.9	306,982.2	313,899.3	321,779.4	334,343.8	347,288.8
Less Grants terminated	0	1,750	2,386	2,446	2,541	2,639
- local streets	253	63				
- designated streets	101	25				
Net Revenue for Streets	354	89	0	0	0	0
NET BURDEN TO TAXPAYER BEFORE MOU	354	1,661	2,386	2,446	2,541	2,639
PAYMENTS FOR STREETS FROM MOU	266	(441)	(781)	(471)	(266)	(55)
NET BURDEN TO TAXPAYER Amount	266	(441)	(781)	(471)	(266)	318
Equiv Tax Rate	0.18	(0.14)	(0.25)	(0.15)	(0.08)	(373)
Change in Tax Rate Since 1994		(0.33)	(0.43)	(0.33)	(0.26)	(0.11) (0.29)

Schedule 7.5.8.5:2

PROVINCE OF PRINCE EDWARD ISLAND

Comparison of Street Costs and Tax Credit Revenues

All Capital in General Expenditures

1994 (pre amalgamation) and 1995 to 1999

Summerside

(000's)

	Old Town 1994	1995 Change	1995	1996 Change	1996	1997 Change	1997	1998 Change	1998	1999 Change	1999
EXPENDITURES											
Ordinary Maintenance	615	391	1,006	500	1,115	552	1,167	456	1,071	449	1,064
Capital											
Street & Sidewalks	110		2,090		2,576		3,173		3,912		3,164
Storm Drainage					182		7		50		
Total	110	1,980	2,090	2,648	2,758	3,070	3,180	3,852	3,962	3,064	3,164
TOTAL	725	2,371	3,096	3,148	3,873	3,622	4,347	4,308	5,033	3,503	4,228
TRANSFERRED REVENUES											
Property Taxation											
Assessment	143,927.9	163,054.3	306,982.2	169,871.4	313,899.3	177,851.5	321,779.4	190,415.9	334,343.8	203,360.9	347,288.8
Revenues ($ .76 per $100)	0	1,780	1,780	1,292	2,386	1,352	2,446	1,447	2,541	1,546	2,639
Less Grants terminated											
- local streets	253		63	253		253		253		253	
- designated streets	101		25	101		101		101		101	
Net Revenue for Streets	354	266	89	354	0	354	0	354	0	354	0
	354	1,494	1,691	939	2,386	998	2,446	1,093	2,541	1,192	2,639
NET BURDEN TO TAXPAYER BEFORE MOU	371	887	1,435	2,210	1,487	2,624	1,901	3,215	2,492	2,311	1,589
PAYMENTS FOR STREETS FROM MOU										318	318
NET BURDEN TO TAXPAYER Amount	371	887	1,435	2,210	1,487	2,624	1,901	3,215	2,492	1,993	1,271
Equiv Tax Rate	0.26		0.47		0.47		0.59		0.75		0.37
Incremental Change Since 1994		0.54		1.30		1.48		1.69		0.98	
Change in Tax Rate Since 1994			0.21		0.21		0.33		0.49		0.11

Schedule 7.5.8.S:3

PROVINCE OF PRINCE EDWARD ISLAND

Comparison of Street Costs and Tax Credit Revenues

No Capital

1994 (pre amalgamation) and 1995 to 1999

Summerside

(000's)

	Old Town 1994	1995 Change	1995	1996 Change	1996	1997 Change	1997	1998 Change	1998	1999 Change	1999
EXPENDITURES											
Ordinary Maintenance	615	391	1,006	500	1,115	552	1,167	453	1,071	449	1,064
Capital											
Street & Sidewalks											
Storm Drainage											
Total											
TOTAL	615	391	1,006	500	1,115	552	1,167	453	1,071	449	1,064
TRANSFERRED REVENUES											
Property Taxation											
Assessment	143,937.0	163,064.3	306,982.2	166,977.4	313,899.3	177,851.8	321,779.4	190,415.8	334,343.8	203,360.8	347,288.8
Revenues ($ .76 per $100)	0	1,750	1,750	1,292	2,388	1,352	2,446	1,447	2,541	1,548	2,639
Less Grants terminated											
- local streets	253		63	253		253		253		253	
- designated streets	101		25	101		101		101		101	
Net Revenue for Streets	354	268	69	354	0	354	0	354	0	354	0
	354	1,484	1,681	938	2,388	998	2,446	1,088	2,541	1,192	2,639
NET BURDEN TO TAXPAYER BEFORE MOU	261	(1,093)	(655)	(438)	(1,271)	(446)	(1,279)	(637)	(1,470)	(743)	(1,575)
PAYMENTS FOR STREETS FROM MOU										318	318
NET BURDEN TO TAXPAYER Amount	261	(1,093)	(655)	(438)	(1,271)	(446)	(1,279)	(637)	(1,470)	(1,061)	(1,893)
Equiv Tax Rate	0.18		(0.21)		(0.40)		(0.40)		(0.44)		(0.55)
Incremental Change Since 1994		(0.67)		(0.26)		(0.25)		(0.33)		(0.53)	
Change in Tax Rate Since 1994			(0.39)		(0.58)		(0.58)		(0.62)		(0.73)

Schedule 7.6:1

PROVINCE OF PRINCE EDWARD ISLAND

Analysis of Lost Grants and Gained Tax Credit Revenues

For Streets - Pro Forma 1994

(000's)

	City of Charlottetown	Town of Summerside
Tax Credit Revenues Gained		
Non Commercial Assessment	462,750.3	143,927.9
Revenues (at $ .46 / .76 per $100)	2,129	1,094
Costs to Municipality		
Lost Grants		
- local streets	414	253
- designated streets	173	101
- police	460	234
	1,047	588
Net Revenue Room Gained	1,082	506

PROVINCE OF PRINCE EDWARD ISLAND

Comparison of Street Costs and Tax Credit Revenues

Pro Forma for 1994

Charlottetown

(000's)

	Old City		
	Old Deal	New Deal	Amalgamated Areas
EXPENDITURES			
Ordinary Maintenance	2,557	2,557	
Amalgamated Areas			1,040
Other			
Total Operating	2,557	2,557	1,040
Capital			
Street & Sidewalks	682	682	920
Storm Drainage	1,049	1,049	
Total	1,731	1,731	920
Annualized (10 years)	173	173	92
TOTAL EXPENDITURES	2,730	2,730	1,132
TRANSFERRED REVENUES			
Property Taxation			
Assessment	462,750.3	462,750.3	471,090.3
Revenues ($ .46 per $100)	0	2,129	2,167
Grants	587		
TOTAL STREET TAX CREDIT REVENUES	587	2,129	2,167
GAIN (COST) TO TAXPAYER	(2,143)	(601)	1,035

PROVINCE OF PRINCE EDWARD ISLAND

Comparison of Street Costs and Tax Credit Revenues

Pro Forma for1994

Summerside

(000's)

	Old Town		
	Old Deal	New Deal	Amalgamated Areas
EXPENDITURES			
Ordinary Maintenance	615	615	
Amalgamated Areas			549
Total Operating	615	615	549
Capital			
Street & Sidewalks	49	49	467
Equipment			18
Total	49	49	485
Annualized (10 years)	5	5	49
TOTAL EXPENDITURES	620	620	598
TRANSFERRED REVENUES			
Property Taxation			
Assessment	143,927.9	143,927.9	140,116.9
Revenues ($ .76 per $100)	0	1,094	1,065
Grants	354		
TOTAL TAX CREDIT REVENUES	354	1,094	1,065
GAIN (COST) TO TAXPAYER	(266)	474	467